This is

NOVA SCOTIA

Canada's Seacoast

A GUIDE TO STARTING AND OPERATING A

Receptive Tour Operator Business

NOVA SCOTIA
Tourism Partnership
COUNCIL

NOVA SCOTIA
Tourism, Culture and Heritage

106-02589/

A Guide to Starting and Operating a Receptive Tour Operator Business in Nova Scotia

Prepared by:

THE ECONOMIC PLANNING GROUP of Canada
Halifax, Nova Scotia

COPYRIGHT© 2005 by Her Majesty the Queen in right of the Province of Nova Scotia

All rights reserved. No part of this publication may be reproduced without the prior written consent of The Province of Nova Scotia.

The publisher is not engaged in rendering legal, accounting or other professional advice. If legal advice or expert assistance is required, the services of a competent professional should be sought. The information and analysis contained herein is intended to be general and represents the research of the authors and should in no way be construed as being definitive or as being official or unofficial policy of any government body. Any reliance on the Guide shall be at the reader's own risk.

Table of Contents

SECTION 1: INTRODUCTION **1**

1.1 Purpose of the Manual 1
1.2 The Business of the Receptive Tour Operator 1
1.3 Contents of the Manual 3

SECTION 2: THE MARKET FOR RECEPTIVE TOUR OPERATORS IN NOVA SCOTIA .. **4**

2.1 Industry Trends Supporting the Development and Growth of Receptive Tour Operatorss 4
2.2 Market and Product Trends 5
2.3 Target Marketss 6
2.4 Nova Scotia's Tourism Industry Today 7
 Nova Scotia's Tourism Partnership Council 7
 Nova Scotia's Vision for Tourism - Challenging Ourselves 7

SECTION 3: REQUIREMENTS FOR SUCCESS **9**

3.1 The Marketing Approach to Designing Your Business 9
3.2 Strategic Plan 10
3.3 Market Niche 11
3.4 Experiential Products 11
3.5 Travel Trade Expectations of Receptive Operators 11
3.6 Quality Website and Internet Strategy 12
3.7 Customer Relationship Marketing and Loyalty Management 12
3.8 Product and Market Intelligence 12
3.9 A Marketing Network 12
3.10 Strong Relationships with Suppliers 13
3.11 Multi-Season Potential 13
3.12 Entrepreneurship 13
3.13 Flexibility to Adapt and Grow 14
3.14 Management Skills 14
3.15 Computer Skills 14
3.16 Staff Skills 14
3.17 Pricing for Profit 16
3.18 Sufficient Capital and Affordable Debt 16
3.19 Quality Program Management 16
3.20 Efficiency 17
3.21 Minimize Risk 17
3.22 Membership 17
3.23 Conclusion 17

SECTION 4: PREPARING A BUSINESS CONCEPT AND STRATEGIC PLAN **18**

4.1 Opportunity Search and Assessment 18
4.2 Short Listing Options 20
4.3 Travel Trade and Supplier Partnerships 20
4.4 Retail Option 21
4.5 Market Positioning 21

Table of Contents cont'd

SECTION 4: PREPARING A BUSINESS CONCEPT AND STRATEGIC PLAN continued

4.6 Business Concept Development 21
4.7 The Strategic Plan 22
4.4 Retail Option 21
4.5 Market Positioning 21
4.6 Business Concept Development 21
4.7 The Strategic Plan 22

SECTION 5: FEASIBILITY ANALYSIS 23

5.1 How to Do A Feasibility Study 23
  Capital Investment Requirements 24
  Financing 26
  Market Analysis 26
  Competitive Analysis 27
  Conclusion of the Market Analysis 29
5.2 Projection of Revenues 29
5.3 Projections of Operating Expenses 29
  Cost of Sales 32
  Direct Operating Expenses 32
  Overhead Expenses 32
  Operating Profit 34
  Net Income, Cash Flow and Return on Investment 34
5.4 Is it Worth it? 34
  Where to Get Help 35
5.5 Preparing a Business Plan 35

SECTION 6: PACKAGE DEVELOPMENT 37

6.1 Marketing Power of Packages 37
6.2 Types of Packages 38
  Group Tour Packages 39
  Individual Touring/Travel Packages 39
6.3 Principles of Packaging 39
6.4 Developing the Package 42
6.5 Pricing Your Package 47
6.6 Product Management and Administration 53
  Product Planning 54
  Contingency Arrangements 54
  Your Management Process 54
  Customer Communications/Documents 55
  Refund and Credit Policy 56
  Tracking Results 56
6.7 Phasing 57

SECTION 7: NEGOTIATING TRAVEL TRADE PARTNERSHIPS 58

7.1 Coordination and Liaison/Quality Control 59

Table of Contents cont'd

SECTION 8: SUPPLIER PARTNERSHIPS **60**

8.1 Potential Suppliers 60
    Suppliers You Can Work with 60
8.2 Price Negotiation 61
8.3 Sales Administration 64
8.4 Coordination and Management 64

SECTION 9: LEGAL, REGULATORY, AND TAX MATTERS **65**

9.1 Vehicle Permits and Licensing 65
9.2 Other Regulations 68
    License to Sell Travel Insurance 69
    License to Sell Airline Tickets 69
    Nova Scota Department of Environment and Labour 69
    Competition Act 71
9.3 Personal Information Protection and Electronic Document Act 72
9.4 Insurance 72
    Vehicle Insurance 72
    General Liability Insurance 72
    Professional Liability Insurance 72
    Travel Insurance 73
    Disclaimer 73
9.5 Taxes 73
    Harmonized Sales Tax 75
    Employment Taxes 75
    Nova Scotia Workers' Compensation 75
    Corporate Income Tax 75
    Business Occupancy Tax 76
9.6 Registration of Companies 76
    Provincial Business Registration 76
    Federal Business Registration 77
    Business Number Registration 78

SECTION 10: OPERATIONS **79**

10.1 Organization and Staffing 79
    Selecting Staff 80
    Benefits of Training 80
    Hiring Tips 80
10.2 emerit Standards and Certification 81
10.3 Training 82
    Staff Training 82
    Management Training 85

Table of Contents cont'd

SECTION 10: PLANNING FOR OPERATIONS continued

10.4 Reservations and Sales Administration 85
10.5 Product Development and Management 86
10.6 Marketing Management 86
10.7 Financial Administration 86
10.8 Program Review 86
10.9 Customer Research 86
  Customer Surveys 87
  Travel Trade 87
10.10 Business Systems 87
10.11 Banking 88

SECTION 11: THE MARKETING PLAN 89

11.1 Introduction 89
  Developing a Marketing Plan 89
11.2 Marketing to the Travel Trade 90
  Distribution Network 90
  Potential Partners 90
  Methods and Tools 93
  Collateral Material 96
  Internet Marketing 96

SECTION 12: THE FUTURE 101

ACKNOWLEDGEMENTS

APPENDIX I: **MARKET DATA**

APPENDIX II: **FINANCING**

APPENDIX III: **CALCULATION OF NET INCOME, CASH FLOW AND RETURN ON INVESTMENT**

APPENDIX IV: **BUSINESS STRUCTURES**

APPENDIX V: **LIST OF CONTACTS**

APPENDIX VI: **STANDARDS AND CERTIFICATION**

SECTION 1

INTRODUCTION

SECTION 1

INTRODUCTION

1.1 Purpose of the Manual

This is one of a series of tourism development manuals commissioned by the Tourism Division, Department of Tourism, Culture and Heritage to assist Nova Scotians in the establishment of tourism businesses and in planning for the delivery of tourism services in the province. This manual deals with establishing a receptive tour operator business. There are other manuals that deal with establishing different kinds of tourism businesses such as a roofed accommodation, a campground, local sightseeing tour operator, restaurant, tourism retail business, and an adventure tourism operation. There are also manuals on how to plan for, develop and market tourism in your community, on the operation and establishment of a local visitor information centre, on establishing an attraction and on marketing for tourism businesses. The manuals were originally prepared in 1996 and 1999 and were updated in 2005. A new manual on community festivals and events was prepared in 2005.

The purpose of this manual is to provide you with some of the information necessary in establishing, improving and operating a Receptive Tour Operator business in Nova Scotia. It should be noted that this information is a guide only.

It is strongly suggested that the reader undertake efforts to verify any information on which their business plan is based and not rely solely on the information in this manual. There are areas where you may want to consider retaining the appropriate professional expertise to assist you. While the information contained in this manual is believed to be accurate, as of the Winter of 2005, it is not so warranted. The reader should note that federal, provincial and municipal regulations, taxes, etc. change frequently and it is recommended that you check with the appropriate authorities, listed in the Appendix, including representatives of the Tourism Division, Department of Tourism, Culture and Heritage and your local Business Service Centre (on-line at www.gov.ns.ca/snsmr/) or at numerous Access Nova Scotia centres around the province, to obtain up-to-date information on these matters.

1.2 The Business of the Receptive Tour Operator

A tour operator is a business that develops, manages, and operates tours and other packaged tourism products. There are essentially three types; outbound, inbound and receptive:

- The outbound operator focusses on its target markets, developing tour products that will sell to those markets and then taking their clients to different destinations throughout the world.

- The inbound tour operator focusses on the destination in which they are based, developing and marketing tours and packages at the destination. It positions itself as being a specialist on that destination.

- The receptive operator is a sub-contractor to the outbound tour operator, providing various services in support of the outbound tour operator's program at the destination.

Inbound operators typically also provide receptive services to other operators and receptive operators typically will develop and sell their own packages as well. In other words, those operators specializing in the destination in which they are based usually do both things. Given this, in discussing the receptive tour operator in this manual, we will assume that the business does both.

As indicated, the receptive operator provides tour arrangements at their destination to outbound operators operating tours in the area. For example, a tour operator in the USA plans and markets a tour involving several days in Nova Scotia. A receptive tour operator in Nova Scotia negotiates rates with suppliers, books the accommodation and other arrangements, and generally handles the delivery of some or all of the tour services for the Nova Scotia portion of the itinerary, or for Atlantic Canada as a whole.

There are no fixed formulas as to the relative jurisdictions or roles of the two operators. Each arrangement is a customized one, appropriate to the situation and each operator's preferred manner of operation. Having said that, generally the outbound operator handles the marketing and inter-city transportation, while the receptive handles the arrangements at the destination for some or all of the tour.

The business of a receptive tour operator can be varied, and each operation is likely to have a somewhat different mix of activities and services. The types of services typically provided to outbound tour operators include:

- Negotiating rates with suppliers;
- Booking accommodation and other arrangements;
- Helping with itinerary planning;
- Providing meet and greet services
- Providing ground transportation
- Providing local tours
- Providing local, step-on guides;
- Coordinating and administrating local arrangements and services, or subcontracting these services in some instances;
- On-site problem solving.

Receptive operators may provide similar services for other types of clients as well: for example, companies that plan and market incentive travel services.

Organizations that plan and manage conventions and meetings also sometimes use receptive operators to handle local tours and hospitality services. (More typically, however, these services are provided by "destination management companies", or "DMCs", at least in major centres where DMC services are available.)

This manual deals with establishing a receptive tour operator business dealing in each of these types of services, except for DMC services and retail sales.

We make constant references in the manual to 'the travel trade'. These are businesses in the tourism industry who act as intermediaries between the end consumer and the product suppliers.

They include:

- Tour operators - outbound, inbound and receptive;
- Travel agencies;
- City/regional destination marketing organizations (DMOs)
- Provincial government tourism marketing departments (PMOs);
- Travel wholesalers and brokers.

This manual is designed for those starting a small-to medium-size business, and is limited to the elements of the business common to them.

1.3 Contents of the Manual

This manual provides information and advice on a variety of topics which will be important in understanding the requirements for success: assessing opportunities, planning and development, and starting operations. The following topics will be covered:

The market for receptive tour operators in Nova Scotia;
Requirements for success;
Preparing a business concept and strategic plan;
Feasibility analysis;
Package development;
Negotiating travel trade partnerships;
Supplier partnerships;
Legal, regulatory, and tax matters;
Planning for operations;
The marketing plan;
The future.

Appendices at the back of the manual cover the following:

Market data;
- Financing;
- Calculation of net income, cash flow and return on investment;
- Business structures;
- List of contacts;
- Standards and Certification.

SECTION 2

The Market for Receptive Tour Operators in Nova Scotia

SECTION 2

THE MARKET FOR RECEPTIVE TOUR OPERATORS IN NOVA SCOTIA

2.1 Industry Trends Supporting the Development and Growth of Receptive Tour Operators

The North American tour business has undergone substantial changes in the past 20 years, among them the growth in the role of the receptive tour operator. This has been supported by the following marketplace changes:

- Deregulation of the motorcoach industry in the US has spurred an increasing number of smaller tour operators.
- The growth in 'loyalty' programs of various kinds offered by companies, in the travel sector and in a diversity of other industries as well, has spawned the growth of a major new market sector for tour operators, that of customized tours and FIT packages for corporate clients who use them as client redemption products.
- The diversity of itineraries offered by tour operators has expanded substantially.
- There has been growth in small group tours that are oriented to special interest activities such as learning, culture and heritage or outdoor adventure.
- There has been growth in independent travel packages, commonly referred to as 'FIT' (Fully Independent Travel/Tour) packages.
- Shorter, regional tours are increasing in popularity.

In each case, these trends have created a challenge in trip planning for the tour operator, making it more appealing and cost-effective in many cases for the tour operator to use a receptive operator at the destination to assist with product planning and delivery. The growth in the use of receptive operators can also be attributed to their superior destination product knowledge, their established relationships with suppliers at the destination, their ability to get the best local guides, and the added credibility and authenticity the use of local tour operators and guides contributes to the tour.

2.2 Market and Product Trends

Consumer tastes and expectations change over time and consumers are becoming more demanding in a number of respects. Some of the marketplace changes seen in recent years with direct relevance to tours are presented below:

- The rapid growth in the role of the Internet has had profound effects on how people seek out, plan and book travel products. This is having a number of effects on the tour industry; for example, more people buying direct from the tour operator rather than through a travel agency. It also is allowing smaller, niche tour operators with specialty products to reach the consumer much more effectively. It is also allowing consumers to customize FIT packages to their liking and booking them online. It has also spawned the growth in Internet 'travel portals', such as www.expedia.ca and www.travelocity.ca.

- Selling tours and packages by direct marketing methods to consumers is a growing marketing trend. This has been facilitated by modern 'customer relationship management' (CRM) systems designed to build loyalty among past clients.

- The modern traveller is seeking a high level of 'experiential' value today. Just having a getaway and a rest is not good enough; they are looking for experiences that are unique, exciting, fulfilling and personally enriching, and that will be memorable.

- The modern traveller also prefers products that allow flexibility and customization.

- Today's educated and well-travelled consumers strongly prefer authenticity. People want experiences that are genuine, not contrived, and they are more discriminating in this respect than in the past.

- There has been growth in interest among consumers in culture and heritage products, and in outdoor products and experiences.

- Well-travelled consumers have high expectations about the standards of hospitality and service they expect to receive.

- Consumers expect a high standard of cleanliness and repair in all facilities.

- They want food that has a local character, even with fast food items.

- They are concerned about the environment. They expect the operator to observe high standards of environmental practice and they want to learn about environmental features of the tour.

- Consumers today expect good value; they are prepared to pay for value but expect to receive it. Low cost is not the main concern. They will pay more if it is worth it.

- Consumers, more than in the past, like an adventure but they want adventure that is safe. They still like sightseeing but many of them want to participate in activities as well.

These trends have resulted in changes in tour products and the way tour operators do business, such as the following:

- Tour operators are developing group tours with more flexibility in an effort to respond to the desire among many customers for some customization in their itineraries. They are using a 'hub and spoke' approach to itinerary design, involving two or more night stays in different communities, providing individual tour clients with different optional activities on the non-travel day.
- The desire for flexibility and customization is a major factor in the growth in FIT packaged travel. FIT offerings have therefore grown beyond the 'fly-drive' package to fly-drive-plus-a-menu-of-optional-add-ons.
- Packages are being redesigned to add more authenticity and more experiences. Meeting real people, visiting seniors homes, grain elevators, and fish packing plants are examples. Basically, packagers are adding features which genuinely represent the culture and lifestyle of the community and region. Tour operators call these life seeing tours, as opposed to sightseeing tours.
- Value-added features are playing a larger role in tour design, to appeal to the mid-range market prepared to pay more if the value is there.

Basically, tour programming is becoming more participatory, enriching and flexible, in response to demands for more meaningful, experiential vacations that are both educational and fun, as well as providing the opportunity for customization by individual clients.

2.3 Target Markets

The main markets available to a Nova Scotia receptive operator include:

- Outbound motorcoach tour operators located outside of the province who operate coach tours to and within Nova Scotia;
- Outbound tour operators who develop and market other Nova Scotia tourism packages such as independent tours, destination packages, and special interest/special activity packages;
- Travel agencies, group leaders, and others who develop and market custom tours;
- Destination management companies and others who plan and manage conventions and meetings at your destination;
- Companies providing incentive travel products and services.
- Corporations seeking a customized tour/package program for their staff or their clients.

Appendix I provides data on the volume of travel in Nova Scotia by the number of visitors to the province and by their origin.

2.4 Nova Scotia's Tourism Industry Today

As a member of Nova Scotia's tourism sector, you need to be aware of the Nova Scotia Tourism Partnership Council (TPC) and Nova Scotia's Vision for Tourism.

Nova Scotia Tourism Partnership Council

The Nova Scotia Tourism Partnership Council (TPC) is an industry and government partnership that shares in planning and decision making for tourism marketing, research and product development in Nova Scotia. The TPC works with industry stakeholders to realize Nova Scotia's potential as a world class four season destination. It was established following a 1996 Tourism Strategy for Nova Scotia that, among other things, called for a true partnership between the tourism industry and government in everything from marketing to research and tourism development.

The Council consists of 16 members, 14 of whom are tourism industry leaders, managers and business owners. Members of the TPC are selected through an industry call for applications. They must be owners, operators or senior managers of tourism related businesses, and consideration is given to various other criteria, in the selection of members.

The TPC oversees the development of the Tourism Plan annually which is presented to the industry at the TIANS fall tourism conference. The Council is also involved in a wide variety of other programs and initiatives. Visit their website at www.nstpc.com for up-to-date information.

The TPC has three core committees - an Executive Committee, a Long-Term Integrated Planning Committee and a Short-Term Integrated Planning Committee.

Nova Scotia's Vison for Tourism - Challenging Ourselves

"100% Tourism Revenue Growth by 2012"

The Tourism Partnership Council's Vision Committee spent two years (2000-2002) developing a process to create a Vision for Nova Scotia's Tourism industry. The Committee looked at issues that the tourism sector could influence or change that would help to create growth and improve industry performance. After a process that included industry workshops and consultations, 11 Vision recommendations were identified for implementation.

These recommendations cover product development, environment, the administration of tourism, marketing, technology, quality, human resources, transportation and research. Responsibility for leading the implementation of the recommendations has been divided between the Tourism Partnership Council, TIANS and the Department of Tourism, Culture and Heritage. For up-to-date information on the implementation of Nova Scotia's Vision for Tourism, check the Tourism Vision section of the TPC's website (www.nstpc.com and select Tourism Vision from the menu bar).

The Tourism Vision is a catalyst to assist Nova Scotia's tourism industry to evolve and grow. It is not cast in stone and is an "unfolding process". Achieving the Vision will require change - by all tourism stakeholders including individual businesses - in how tourism is managed and delivered in Nova Scotia so as to improve quality and generate increased tourism revenues.

Success will be measured "not only by growth in revenues but our ability to work together, maintain our culture and authentic character, develop new markets and products, attract new visitors and improve the recognition of our sector's contributions to our province and various levels of government".

For more information on how you can be involved in the Vision for Tourism visit www.nstpc.com.

SECTION 3

Requirements for Success

SECTION 3

REQUIREMENTS FOR SUCCESS

The receptive tour business is a challenging one, and success is dependent on a variety of things. Trusting to good luck is not recommended. The way you design and develop your business, how you operate it, how you build business partnerships and how you market it will all play major roles in determining how well you do. Rather than leave it to chance, the smart operator is sensitive to the success variables in the business. We will consider the key variables.

While the receptive tour business is challenging, and requires real expertise to be successful, it can also be a very exciting and enjoyable occupation. You get to be part of an exclusive community of travel trade professionals, most of whom are motivated, enthusiastic and customer/service oriented people. Also, if you do a good job, your happy customers will give you a lot of personal satisfaction.

Each of these are principles of what it takes to succeed. They should be read as an overview of what you need to accomplish. How you accomplish them is the subject of the rest of the manual.

3.1 The Marketing Concept Approach to Designing Your Business

To be successful today, owners and managers of tourism businesses have to have a marketing orientation – a customer focus. That means everyone in the business must make decisions by asking the question, "How can I best meet the needs of the market and the individual customer?" Marketing orientation can be defined as follows:

> "Marketing orientation is a way of thinking - a frame of mind. It is, if you like, a business philosophy. If you adopt a marketing orientation, it means that whenever you think about your business, you do so from your customers' point of view, not from your own. It means accepting the idea that the purpose of your business is to serve the wants and needs of your customers, and to meet or exceed their expectations.
>
> In other words, it means putting your customers first. For this reason, it is sometimes also called a customer orientation.[1]

Why is this so important? Why can't we just do what we think is best? Because satisfying a customer's expectations involves doing a lot of things right, and that doesn't happen easily.

---

[3] The Economic Planning Group, Tourism is Your Business: Marketing Management, prepared for Tourism Canada, 1986

Some tourism businesses think it is good enough to have a decent sign in front of their property and buy an ad in the Nova Scotia Travel Guide ("Doers and Dreamers" Guide) and then wait for customers to come. Others - those taking a marketing orientation to their business - make an effort to identify their best market prospects, modify their product to best serve the needs and demands of the different groups they are targeting, and then design their marketing activities to focus on these groups. While having a good sign and an ad in the "Doers and Dreamers" Guide will very likely be part of this approach, these should not be relied on, by themselves, to bring the business in the door.

In the receptive tour operator business, like many businesses, the fundamental key to success is to design and operate your business in response to the customer's needs and demands. The premise is that you need to focus on the needs and wants of your customers in all aspects of managing your business, and that all management actions should link back to providing the customer with what he or she needs or wants. It forces the manager to look beyond the day to day demands of the business and focus on the customer in decision-making - on how the decision will benefit the customer.

The marketing concept is in contrast to the production concept, in which the business is managed in response to the demands of the facilities and the staff. Too many managers in the tourism industry do this, and it is understandable, because these day to day demands are real and have to be dealt with. But the effective manager has to be looking beyond these demands, at the customers, and at how the customer is going to benefit from the decision being contemplated.

Another common management approach is the sales concept in which the customer is seen to be central to the success formula, not in terms of what the customer needs or wants but in terms of what you have to sell. The challenge is to get the customer to buy what you have to offer, by whatever means possible.

The problem with the latter two management concepts is that they have little to do with the things that are going to build customer loyalty for your business. They have to do with your needs, of course, but not the needs of the person that is really key to the business, the customer. Customer loyalty comes from providing what the customer is looking for. With customer loyalty comes repeat business, word of mouth referrals, and a willingness to pay the price for the product. If enough customers do this, your business will be a success.

3.2 The Strategic Plan

Developing your business in the context of the marketing concept requires a strategic plan for the business, one that identifies the best market opportunities along with all the key business features necessary to successfully and profitably pursue those opportunities. The strategic plan is an overall, long term plan for the business, setting out the following:

1. The long term vision and goals, and the measurable objectives for the business
2. The markets to be pursued and the marketing strategies and networks to be employed
3. The markets and services to be developed and delivered that will have the features necessary for them to succeed in the competitive marketplace
4. The resources that will be bought to bear in achieving success and profitability
5. The tracking tools to measure progress

The specifics of what is required for success are set out below.

3.3 Market Niche

You need to offer services for a product type where there is a shortage of services, basically a market niche you can make your own for your destination. The elements you want to define include:

- The geographic area you are specializing in;
- The types of products and experiences in which you are specializing in;
- The services you are prepared to offer.

The ideal situation is to find a niche that is under-serviced and has a large and growing market.

3.4 Experiential Products

The successful receptive tour operator knows that they are in the experience business that it is the quality of the experience received by the consumer and the value perceived that is key to marketability and long-term success. Product development must always focus on this as the central issue. Equally important are the unique appeals of a product: what makes it special in the eyes of the consumer, what differentiates it from the products of competitors. This makes product development a key issue which must be managed carefully throughout the start-up phase and ongoing life of the company.

3.5 Travel Trade Expectations of Receptive Operators

Outbound tour operators look for a number of things from a receptive tour operator:

- Knowledge of and adherence to industry practices;
- Skill in designing the right products for their market - getting it right the first time;
- Detailed communication of information, arrangements, etc.;
- Timely (next day) turnaround in response to requests;
- Quality planned itinerary proposals;
- Detailed knowledge of the destination and its suppliers.

This last issue is why an outbound operator uses a receptive operator. Without detailed product knowledge, the receptive has little to offer. With it, they are invaluable.

This is very much a personal-relationship business. It's a small community of professionals who nurture personal relationships of trust and then rely on them. It's hard to break in and earn their confidence, but once you do, you can rely on their continued support for as long as you continue to deliver.

You need to learn about the business of tour operators and of the various players in the travel trade, in general.

3.6 Quality Website and Internet Strategy

The Internet has rapidly become a vital tool for every tourism business. It provides ready access to all kinds of information of value to the business. It also makes possible the website, which companies are increasingly finding to be their primary marketing tool today. Having a good website is a vital part of every tourism business; not having one, or a reasonably good one, is a dis-qualifier in many markets.

Having a website is not the only issue associated with the Internet, as discussed below. It also makes possible email, and modern e-marketing techniques. And working in conjunction with a company's website, a website visitor registration program and a database system, it provides the basis for direct, one-on-one, highly targeting direct marketing to prospects.

3.7 Customer Relationship Marketing and Loyalty Management

Following from the modern direct marketing methods and internal customer databases available today is the concept of customer relationship management, or CRM, which has become a key strategic focus of many businesses today, including tourism businesses. If you plan to operate as a tour operator as well as as a receptive tour operator, CRM will be critically important to your business.

The idea here is that once you have a good prospective customer through your marketing efforts, or a prospective repeat customer, along with some information on the purchase preferences of that prospect, you have an opportunity to actually build a relationship with that individual, such that they buy from you; ideally, again and again. They become a loyal customer. Company 'loyalty' programs have further built upon this concept; AIR MILES and Aeroplan are examples.

3.8 Product and Market Intelligence

As mentioned above, it's product knowledge that gives the receptive operator its value in the marketplace. You should have detailed files on products that you can recommend and that you use, you should have visited the properties, met the management, experienced the service, inspected the facilities.

You need to know about the different types of packaged tourism products and their markets.

At the same time, knowledge of the consumer and the markets for packaged tourism products is a key as well. You have to be able to see how a particular product or experience might fit into a package and for which markets and operators.

3.9 A Marketing Network

It is vital to develop credibility in the travel trade and to build a network of relationships with complementary businesses in the marketing of packages and travel products. In this case, we are not just talking about outbound tour operators, we include others as well. The idea is to piggyback on the marketing program and resources of others that are targeting the same markets as you and that are willing to work with you, thereby extending your marketing reach and effectiveness.

Examples include:

- Nova Scotia Tourism Partnership Council/Tourism Division, Department of Tourism, Culture & Heritage
- Your regional or city destination marketing organization, such as Destination Halifax or the South Shore Tourism Association
- Destination management companies
- Airline or hotel chain marketing departments
- Suppliers of ground arrangements and packages

Developing and maintaining such relationships and networks can be very valuable for your business. Also, everyone at the destination is part of the 'destination sell' and needs to work together to that end.

We will discuss the "how to's" of this later in Section 7.

3.10 Strong Relationships with Suppliers

It is essential that you establish a relationship of mutual confidence and support with the businesses that will be your suppliers: the local hotels, attractions, sightseeing businesses, etc. You are going to be asking them to give you the very best prices they can and to transfer blocks of their product into your control. They have to believe in your ability to produce.

3.11 Multi-Season Potential

One of the challenges confronting Nova Scotia's tourism industry is its seasonality. The province is more fortunate than many regions of Canada in that it enjoys a long tourism season which extends well into the fall and it is lengthening each year. However, it is still a challenge to maintain sufficient business volumes and high enough rates throughout a major portion of the year.

It is important that the business be able to cater to a combination of markets which, together, have significant potential to sustain the business throughout more than one season, and preferably for several seasons. These should be markets which don't require heavily discounted rates.

3.12 Entrepreneurship

Entrepreneurship is the art of being an entrepreneur. An entrepreneur is a business person who, in operating their business, is constantly responding to market opportunities and challenges. In other words, an entrepreneur sees his or her business as a mix of assets and people which can respond to unfulfilled market opportunities that may arise, rather than as a fixed, unchanging product. The entrepreneur operates on the assumption that markets are changing constantly, that competitive advantage is a temporary thing, that customer loyalty is fickle, and that opportunities come and go.

This is in contrast to the business owner who, once they have opened their business, waits for the business to come in and never seeks to modify their product. The business assumption of such an operator is that the market changes little over time and that their customers will keep coming. Too often accommodation operators adopt this latter attitude, while, in reality, the marketplace is much closer to that perceived by the entrepreneur.

Taking an entrepreneurial approach to planning and designing your business is vital; but it is also important to continue this management approach in ongoing programming, packaging, and marketing.

In fact, entrepreneurship is more than just an approach; it is really a state of mind, a perception of how the world works, an attitude about what is the real role of owners and managers. An entrepreneur believes that the role of the owner or manager is to be creative, constantly on the lookout for information and ideas on how to change and improve.

3.13 Flexibility to Adapt and Grow

Part of successful planning for a receptive tour business is anticipating the need to adapt and grow. Attention should be given to being able to make changes in the business. Perhaps it will be necessary to shift the market "mix" of the business if one or more markets are disappointing, if others prove to be better, and if some circumstance opens up entirely new market opportunities.

3.14 Management Skills

The tourism business is a difficult business at which to excel and requires concerted effort and professional skills in many areas. This particularly applies to receptive tour operations. Success in this business requires real expertise in the operations of the travel trade and in tourism product development and marketing. Don't underestimate the complexities involved and enter the business ill-prepared in terms of expertise and skills.

In addition to creative skills, the successful receptive tour operator must develop basic understanding in the areas described in Exhibit 1.

3.15 Computer Skills

The computer has become an indispensable tool for every business today, so having computer skills is now a virtual necessity for most business people. Managers and staff need to be able to use word processing to record information and communicate by mail, to send and receive email, to do research on the Internet, to maintain a decent website and to use a spread sheet for budgeting. The computer is a also a vital part of virtually all modern internal business systems, including revenue management systems.

3.16 Staff Skills

Staff skills in many areas are also important, particularly in reservations, guiding tours, and dealing with the customer. These are addressed in more detail in Section 10.

Staff skills are equally important, if not more important, than the product itself. How well your staff performs their tasks and relates to your customers is a make-or-break issue in the tour business.

EXHIBIT 1
BASIC SKILLS REQUIRED FOR A RECEPTIVE TOUR OPERATOR

ENTREPRENEURSHIP

- understanding and acceptance of the marketing concept
- understanding of what the customer is looking for
- knowledge about how to reach the customer and what will appeal

MARKETING

- Internet marketing
- advertising media
- brochure design and distribution
- direct mail
- developing packages
- cooperative promotions with tourism partners
- travel trade requirements (tour operators, travel agents)
- group sales
- pricing, commissions, and discounting
- marketing effectiveness measurement
- ad design
- direct selling
- market research

PRODUCT AND PLANNING

- tourism product features at the destination
- services available
- standards of quality
- standards of service
- coordination and quality control
- contingency planning

HUMAN RESOURCES

- hiring and training guides, reservations staff, and product personnel
- staff supervision
- staff motivation
- performance measurement
- organizational structure

OPERATIONS

- tourism product features and variables
- supplier agreements
- reservations systems
- sales administration, including group sales
- tour and package operations and quality control

ADMINISTRATION

- accounting and financial control
- use of computers & business software
- payroll
- business regulations
- finance
- business planning and budgeting

Suggestions on how to acquire these skills are considered in Section 10.

3.16 Pricing for Profit

Knowledge of package pricing techniques is critical.

An understanding of the process of commissions, net prices, and overrides that are practised in the tourism industry as well as an understanding of the retail pricing of packaged products is a prerequisite.

Several objectives have to be achieved through pricing at the retail level: market competitiveness, prices for each target market and each season, yield maximization (balancing price against volume potential to achieve the greatest revenue), variances for children, seniors, groups, and families - each directed to achieving profitability and return on investment.

You will need to understand about break points, the levels of business at which costs are covered.

The topic of pricing will be addressed further in Section 6.

3.18 Sufficient Capital and Affordable Debt

You have to have enough investment capital available to establish and develop the business: and it is vital that your debt burden not be so high that it drains away all your future profits.

The receptive tour business is not expensive to establish in terms of capital assets; you can start with a phone line and answering machine, a micro computer, and an office in your home. At the same time, you're going to have to spend time and money on marketing, market development, and product development, and it's going to be some time before the income will flow. You will definitely need working capital to carry you through an extended period of time before your revenues will catch up to your expenses and personal income needs.

Too many businesses are established without an adequate provision for working capital, and often initial capital cost overruns take up some or all of the intended operating capital. A business operating with inadequate working capital cuts back on marketing, staffing, and maintenance - all of which will weaken it in the future. In addition, it will be slow in paying its bills and suffer difficulties with its bank and creditors. It won't last long.

You will also face the need for capital investment in office facilities and systems as the business grows. And if it grows, the need for working capital will increase.

3.19 Quality Program Management

The delivery of trouble free, quality programs is central to your success as a receptive operator. Planning carefully, checking out the product, paying attention to detail, fixing problems quickly, communicating, and coordinating: all need to be practised diligently and relentlessly.

You need to have suppliers who will guarantee a quality product and provide the same level of diligence that you impose on your own operations.

3.20 Efficiency

The tour and packaging business works on thin margins, so you will need to keep your overheads low. Lean and mean is the way to make it.

3.21 Minimize Risk

Particularly in the early stages of your business, you must minimize costs by out sourcing (subcontracting) services rather than establishing your own, until you have enough business to justify the investment and overhead expenses.

3.22 Membership

It is highly recommended that you join and participate in professional development activities of appropriate professional trade organizations, those specific to the tour operators' sector as well as local and regional tourism associations. These associations can be a good way to make contact with other people in the industry and seek out partners. In your business, they can also provide essential contacts for business development. In particular, you should join the National Tour Association (NTA) which is the US association of tour operators.

3.23 Conclusion

The inescapable conclusion is that the establishment of a receptive tour business requires careful planning as well as a mix of knowledge and skills in the tourism business. All of the foregoing success-related issues have to be adequately addressed before any commitment is made to proceed.

We will now turn to the "how to's" of developing a business plan for a receptive tour operation.

SECTION 4

Preparing a Business Concept and Strategic Plan

SECTION 4

PREPARING A BUSINESS CONCEPT AND STRATEGIC PLAN

4.1 Opportunity Search and Assessment

What type of receptive tour business should you establish? Where should it be based? Is there likely to be an adequate market for it?

You first need to build some models of possible business concepts on paper, identifying the kinds of products and services you believe might be appropriate. You want to focus particularly on the unique selling propositions (USPs) and competitive advantages you might be able to offer potential client tour operators and the consumer. You have to draw on your entrepreneurial skills to craft one or more business concepts which have a high likelihood of working.

If you've been in the tour or packaging business before, you'll have an advantage, since your experience will have taught you valuable lessons. If not, you will have to work harder to find the information you need to make good decisions.

To help in identifying product and service ideas, we suggest you look into what has worked well for receptive tour companies elsewhere and give consideration to whether the same things might work in your Nova Scotia market.

A more detailed assessment can be made later. At this point you are looking for general information which will help you piece together a concept for the business.

Find out where there are successful examples. Visit them; talk to the owners; find out what makes them successful. What are their USPs? What are the major challenges they face and how do they deal with them? What are their markets? How are they marketing? How are their markets changing? What product features appeal to what types of markets? What are the major do's and don'ts of the business? Tell them what you have in mind and ask for their constructive criticism.

As long as these businesses are not going to be directly competing with you in your Nova Scotia market, they are likely to be cooperative. Call them in advance and get them to agree to talk to you.

Who is the competition in Nova Scotia? What are their products and services? Are they covering all of the product and market segments, or are there gaps?

Try out the packages of your future competitors. What are they doing right and doing wrong? Are they including all of the unique attractions of the area in their packages? How can you develop competitive advantages over them? How busy are they, in each season? Do they seem to be making money? (Good signals include: Are they maintaining the calibre of their products and services? Are they paying their bills?)

Talk to the outbound tour operators who are operating tours and packages in Nova Scotia in the region you intend to provide services for. Do they have all the services they need? Are they open to a new receptive service for the destination? What services do they require?

You should also talk to the companies in the marketplace who wholesale incentive products, since they may have an interest in Nova Scotia incentive packages.

Talk to the tourism organizations in the destination area you are considering about how they see the opportunity and whether they think there is room for a new receptive operator in the market. What do they think about your ideas? Other people to talk to include:

- The local/regional tourism association (Where are the gaps in the delivery of packages and tours in the region? Is tourism activity growing or declining? What type of growth is it?);
- Hotel marketing staff (What are their customers looking for in terms of tours and packages? Where are the gaps in the availability of products? Will they partner with you in packaging? in marketing?);
- Meeting and convention companies (Are their customers looking for new tours and packages? Would they sell your product? How satisfied are they with the receptive operators presently available? How much business could they provide?).

It will be important to consider trends in the product and service mix you are considering and in the markets you are going to be targeting. These areas of enquiry will provide you with ideas on how to establish some competitive advantages for yourself. New product concepts can do this for you, and you can also take advantage in your planning of trends in customer demands and expectations.

A valuable resource is the Canadian Tourism Commission's (CTC) business website (www.canadatourism.com). You can subscribe to this site for free and get regular email news as well as access to a wide range of reports, statistics and publications prepared by the CTC. You can also read 'Tourism Online' which features articles about different aspects of Canada's tourism industry.

There are many other sources of trends information worth mentioning, including the Tourism Division of the Department of Tourism, Culture and Heritage which publishes various tourism reports and information. These can be found online at www.nstpc.com/research.html . Check out Tourism Insights (www.gov.ns.ca/dtc/pubs/insights) for up-to-date statistics on tourism activity in the province. You may also want to contact your regional tourism industry association to see if they have collected any research or articles which may be of interest to you. The National Tour Association website (www.ntaonline.com) or their monthly publication, Courier, are good sources of information on what is happening in the tour operator business, and in travel generally.

You can also search the Internet using relevant key words to find research articles, books, news groups, and discussion groups.

Talk to staff working with the travel trade from the Tourism Division of the Department of Tourism, Culture and Heritage. They can give you market information, suggest contacts, etc. Ask them to lend you any market studies they might have available containing relevant information for planning a receptive tour business, such as data on market trends, tourism product trends, etc.

You would be well advised to consider retaining some professional help at this point from consultants who have expertise in the travel trade and know Nova Scotia's tourism markets and products. They can expedite a lot of this work for you and they have access to research information which will be useful. The receptive tour business is a specialized one, so make sure that you retain a consultant who really knows this business.

4.2 Shortlist Options

The products and services you put on the shortlist for your business concept should be selected because a market opportunity is available. The criteria to use in qualifying each of the products and services for the shortlist are suggested as follows:

- Is there a gap between supply and demand?
- If not an actual gap, is the current receptive doing/not doing the job?
- What is the potential volume? Is there enough to justify the effort?
- What are the margins available? Is this enough to cover my costs?
- What capabilities are required to do the job? Will I have them? Can I get them?
- How open are the clients to dealing with a new receptive operator for this product/service?
- Can we really deliver the product? Is it available in Nova Scotia? Can I guarantee availability and quality?
- Can I work with the Nova Scotia suppliers? Will they give me net rates, block space, etc.?
- Is this product/service complementary to the others I am considering?

You are going to have to do some research on some of these questions and conduct interviews for others. We will discuss the means of doing these tasks in the next section. For now, we suggest that you rely on the information and understandings you will have gained in your enquiries so far. While your judgments remain to be proven right, they will give you a concept for further evaluation.

If most of the answers to the foregoing questions are favourable, the product or service should be on your short list for further evaluation.

4.3 Travel Trade and Supplier Partnerships

As important as the market related issues are the questions associated with establishing the travel trade partnerships you are going to need to operate your business. Tour operators need to be open to the possibility of dealing with you, willing to give you a try. Destination management companies, the companies that handle meetings and convention arrangements, should be open to working with you. The tourism associations in your region need to be willing to support you by referring enquiries to you.

You will also need to have the cooperation of suppliers in Nova Scotia; hotels, sightseeing companies, outdoor adventure operators, etc. You will need their very best net rates, block bookings, workable administrative arrangements - including help from their staff in planning local itineraries - and perhaps cooperative marketing support as well. They have to be professional in their commitment to customer service and available by phone all year. Generally, they have to understand your needs and how the intermediary business works. They have to have a travel-trade culture.

The way to find out about these things is to interview the people involved in the travel trade as well as a good sample of the suppliers you intend to work with. Present your plan to them and solicit their support. Determine what the conditions are for them to be willing to work with you. What will their cooperation entail?

4.4 Retail Option

Most receptive tour operators also operate as inbound tour operators with their own packaged products, selling them directly to consumers and perhaps offering them to outbound tour operators as well.

Developing a retail market can be a very expensive undertaking. It requires extensive consumer marketing, sustained over a lengthy period of time, in a very competitive marketplace.

On the other hand, developing a retail business can increase your buying power with suppliers, and you may simply be forced to move into retail if the wholesale business is too small on its own for you to survive. We do not deal in this manual with the retail aspect of the industry.

4.5 Market Positioning

Another key strategic issue is how you are going to position your business in the marketplace; in other words, what role do you stake out for yourself in the marketplace and what do you claim makes you special?

Market positioning needs to be defined in some combination of the following terms if you are going to define your niche properly:

- The price/quality level - economy, mid-range, deluxe;
- The types of experiences/products - sightseeing, special interest, outdoor adventure, etc.;
- The types of packages - group escorted tours, independent tours, destination packages;
- The geographic area of specialization - all of Canada, Atlantic Canada, Nova Scotia, Halifax area, Cape Breton.

4.6 Business Concept Development

The foregoing deliberations will help you focus your business concept and its likely mix of products and services. The concept should consist of the following elements:

- Initial products and services to be offered;
- Key target markets/client prospects for each;

- Initial facilities, staff, etc.;
- Sequence of activities in starting up;
- Marketing activities required;
- Pricing formula;
- Key suppliers and the arrangements with them.

You will need to define some sort of phasing plan. What are you going to do in year one? Year two? Year five?

The initial phases should focus on what you expect to be the core products and markets of the business. Other markets and products should be streamed in later in digestible stages. Some should be market-tested first, if there is any serious question about their potential or their value to the core business.

It will be important that you design and implement periodic management reports on progress, supported by some customer research and product reviews.

4.7 The Strategic Plan

You should document these planning activities in a written summary, which will form your initial business plan.

SECTION 5

Feasibility Analysis

SECTION 5

FEASIBILITY ANALYSIS

Will your plan work? Can you get the volume of business you need? Will revenues suffice to cover operating costs? Will the business make a profit - enough to pay you a living?

These are vital questions you need to address, in order to reduce uncertainty and risk to a minimum. The cost of making major mistakes can bankrupt you, while the information coming out of a feasibility assessment can help make the business a success. Why risk everything without making your best effort to reduce your risks?

While you may be reluctant to spend the time and money on this step, or may think you don't need to, your banker or other financiers may very likely insist on it.

So, a proper feasibility study should be undertaken. You can do much or all of it yourself, following the process outlined in this manual.

If your project is a large, more complex one, or if your banker or other sources of financing request it, you may have to have a professional feasibility study undertaken. There are ways of keeping the costs of a professional feasibility study reasonable, and you may be able to get some financial help for the study from prospective investors or a government agency. If you've done the homework described earlier in preparing your business concept and strategic plan, the feasibility study can be done a lot more quickly and economically.

A proper feasibility study, assuming a basic business concept and strategic plan has been developed, consists of the following steps:

- Projections of initial investment costs and financing;
- Research into and analysis of target markets;
- Competitive analysis;
- Projections of revenues, operating costs, debt service, and profits;
- Return-on-investment and break-even analysis.

5.1 How to Do A Feasibility Study

While your feasibility study is likely, in part at least, to be done as part of your early efforts to establish your business, there are still things you should do before you make any effort to start up. Below, we present suggestions for the process to follow.

Capital Investment Requirements

We suggest that the first step in preparing a feasibility study should be the development an estimate of the capital investment required to establish the business, since this can give you an idea of what kind of financing you will need, and this in turn will give you the basis for estimating various numbers you will need in your projections of operating costs.

You don't need a detailed capital-cost schedule or financing plan at this point. You are trying to assess the feasibility of establishing the proposed receptive tour business, not actually planning the business. What you need is an estimate of the realm of magnitude of your capital costs and financing needs.

Exhibit 2 provides a template or worksheet you may find useful.

There are various sources of information you can pursue to help you develop this initial capital budget. Suggestions are presented below.

As mentioned earlier, it is advisable that you avoid as many capital costs as possible in the initial stages of the business, until it proves itself. In the meantime, you can subcontract things that you can't handle yourself.

The kinds of capital investment items you should consider for start-up, or in the early stages of growth of the business include:

- A business telephone with an answering service designed to handle calls 24 hours a day and a toll free number.
- Computers with basic business software as well as specialized software designed for tour and package operations. The other business software should include E-mail, fax, word processing, database management, spreadsheet, and basic accounting.
- An office, desk, and filing cabinet.
- A website
- **Soft costs:** Soft costs are operating-type costs required to start the business that are capitalized, since they occur prior to the operational phase of the businesses. They include such things as operating costs incurred prior to opening - management salaries, office operation, website development. initial marketing, company registration etc. They also include one-time costs such as initial training costs, consultant's fees, etc. You should try to do a work-up of estimates for each relevant item. Where this is not possible, provide for an allowance to cover the item.

  There will probably be a fairly significant level of travel and marketing costs involved in soliciting travel trade relationships and surveying suppliers. Don't stint on your investment in these most-crucial-of-all activities for launching a successful operation.

  You will need a quality brochure or catalogue, with photographs. Print enough copies to support the enquiries you will receive. You will also need to develop a quality website.

EXHIBIT 2

CAPITAL REQUIREMENTS WORKSHEET

CAPITAL ASSETS: $ ____________

Computer Hardware & Software ____________
Office Furnishings ____________
Office Systems & Equipment ____________
Other ____________
Subtotal A ____________

STARTUP SOFT COSTS:
(*Costs prior to revenue being earned)* ____________
Salaries ____________
Staff Training Wages & Costs ____________
Initial Marketing & Travel Costs ____________
Brochure/Catalogue/Website ____________
Research and Consulting Costs ____________
Other Professional Fees ____________
Incorporation/Registration/Licensing Costs ____________
Other ____________
Subtotal B ____________

WORKING CAPITAL: ____________
Prepaid Expenses ____________
Other Current Assets ____________
Cash Reserve ____________
Subtotal C ____________
Less: Bank Loan ____________
Subtotal ____________
Net Working Capital Required (C) ____________

TOTAL CAPITAL ASSETS REQUIREMENTS (A) ____________
TOTAL SOFT COSTS (B) ____________
NET WORKING CAPITAL REQUIREMENTS (C) ____________
CONTINGENCY ____________

TOTAL STARTUP FINANCING REQUIRED ____________

- **Working capital:** Your financing is going to have to cover not only your capital costs and soft costs, but it also has to provide for enough working capital to sustain the operation of the business. It's the cash available to run the business and deal with short term contingencies.

  With a receptive tour business, you may very likely need enough working capital to support yourself and the business for many months before you start seeing much in the way of revenue. It could very well be a year or two before your revenues reach the break-even point.

  We suggest that you provide enough cash to cover at least six months of no income for yourself. Ideally you would have another job with flexible time requirements during this start-up process. It will probably be at least two years before you can draw a full living from the business.

- **Contingencies:** A contingency allowance should be allowed for unanticipated cost increases, overlooked items, unanticipated additional costs. The allowance should be between 20% and 30%, depending on how refined your costing has been and how confident you are in the numbers.

Financing

The total of the foregoing represents the amount of financing you are going to require in starting the business. You will now need to prepare a plan as to how the financing is to be structured, since the feasibility assessment requires a determination of interest and principal payments on the money borrowed and the amount of equity to be invested. Further comments on financing can be found in Appendix II.

Market Analysis

The next stage of a feasibility analysis involves the assessment of markets and determination of market potential.

In Section 4, we presented a discussion of the method for developing your concept for your receptive business by interviewing outbound tour operators, destination management companies, incentive companies, and others. The information you collected and the insights you gained will be invaluable in helping you assess the market potential for your concept. In fact, your work in this step was a market assessment.

It should already be clear whether there is enough business to be had through the travel trade to make it feasible for you to go ahead. However, now that you have defined your business concept, you should go back to the travel trade and conduct a second round of interviews to market test the concept further and get a better reading on the likelihood of getting business. You may also be able to get a better idea of the volume of business potentially available to you.

Talk with the Department of Tourism, Culture and Heritage and get their help in identifying the companies operating tours and packages to Nova Scotia. This will help with expanding your list for interviews, but it also will help you build a picture of the total market, the number of travel trade prospects out there who might be your customers some day.

The results of the analysis should be a written summary of prospective clients in the travel trade, accompanied by a brief description of their business, the kinds of products and services they require, the services you intend to provide them and for which they have an interest, and where possible, a guesstimate of the number of customers per year.

One of the advantages of the receptive tour business is that you can actually launch the initial stages of the business without a lot of investment, so the only real risk you have lies in not getting paid for your time and effort in launching the business. As a result, you are probably not going to have to do the kind of detailed market study we would recommend for other types of tourism businesses, and the likelihood of a market study being needed for financing purposes is probably not as great. (This is fortunate, since it would be very difficult and expensive to do such a study for a receptive tour operation. The market data is simply not available.)

You can, in fact, assess the market potential of the business by actually starting it. If you are able to get a few clients, keep going; if not, then your concept is not right or there is some other combination of reasons for not continuing. If you are getting the business, and there is pressure on you to grow and make a larger investment commitment to the business, you can do some market research then.

Competitive Analysis

Part of your research should include a further assessment of your competition - their strengths and weaknesses, how much business they are doing, what gaps in services/products they have left open. Talk to the outbound tour operators who are using them. Also talk to your local tourism organizations about them.

The types of businesses who will compete with you include operators offering:

- Comparable products for comparable destinations;
- Alternative destinations and alternative experiences;
- Alternative discretionary spending options.

You want to give particular attention to the first type of competitor.

By trying out their products and asking around, you can fit together a good picture of their operation.

Here are some tricks to piecing together a picture of the competition's business:

- Talk to the tourism organizations in the market as well as the hotel and attraction operators. Some of them will have information on how the operation is doing.

- Visit their websites or get their brochures, count their departures, and using an estimated load per departure, estimate their inventory of passenger capacity

- Engage in casual conversation with the staff on the tour and with their suppliers. Ask them about the operation.

When you've done your detective work, make up a form which allows you to summarize your findings. Use a simple scoring system to rate the competition against how your proposed receptive business would rate. Exhibit 3 presents a sample worksheet for assessing the competition.

EXHIBIT 3
ASSESSMENT OF THE COMPETITION

Competitor's Name	Business Description/ Years in Operation	Itineraries & Schedules	Prices/Value	Reputation	Quality of Service	Quality of Advertising & Promotion	Relationships with Suppliers	Conclusions as to your Competitive Advantages/ Disadvantages Over Them

Conclusion of the Market Analysis

The results of the market assessment and the competitive analysis should provide you with some sense of the future potential for your proposed receptive tour business.

To complete your work on this, you need to develop a supporting analysis for a projection of revenues. This will involve estimating what business you might get each year in the future, particularly for the early start-up years. It will also involve estimating the demand for different products you intend to offer, and from different markets. This will be our next subject.

5.2 Projection of Revenues

You need to project revenues for the types of receptive business you are going to operate. To project potential revenues for the initial stages of the business, we suggest the following steps:

- Estimate your initial customer numbers for each of your products or for each different type of product you intend to offer (e.g. hiking packages or escorted motorcoach tours). If you have that information, develop your estimates for each market.

  Exhibit 4 presents a worksheet to assist with this step.

- Estimate the likely prices and your margins for each product (or each type of product). At this stage you will not have all the information necessary to develop your actual prices, so you have to rely on the prices charged by comparable operations in other markets and by competing operations in your own market, to estimate what you might reasonably charge. All you are after now is an estimate that you can use in preparing a revenue projection to determine the probable feasibility of the operation. The premise is that if you can't make the numbers work at competitive prices, the project isn't likely to be feasible. If the numbers do work on this basis, you will still be facing the challenge of actually covering your operating costs and overhead costs at competitive prices, but we'll face that challenge later. (In Section 6 we will deal with the how to's of actually setting your prices.)

- Calculate net revenues for each year. This involves use of a worksheet, such as that presented in Exhibit 5, in which the demand for each product, or group of products, is estimated. As well, retail and net prices, and margins for each market are calculated, and total revenues are derived. You may want first to project your likely volume of business in a mature year and then estimate the likely volumes for Year one and subsequent years leading up to the mature year.

5.3 Projections of Operating Expenses

You need to prepare projections of four kinds of expenses: costs of sales, direct operating expenses, overhead costs, and capital-related charges.

Exhibit 6 presents a worksheet for preparing expense projections. The numbers can be derived either from a detailed work-up based on analysis of each item, or by using industry norms to provide realm-of-magnitude estimates. The latter method is simple; however, it is unlikely that you will be able to find industry norms for your particular business concept. Thus, you will probably have to work up each cost item from the bottom up, using quotations received from suppliers, insights you can gain from other operators in the business, and your own estimates of costs.

EXHIBIT 4
ESTIMATE OF DEMAND FOR EACH PRODUCT AND SERVICE

WHOLESALE DEMAND		NUMBER OF DEPARTURES	NUMBER OF PEOPLE/TOUR	TOTAL CUSTOMERS
PRODUCT A	Tour Operator #1			
	Tour Operator #2			
	Tour Operator #3			
PRODUCT B	Tour Operator #1			
	Tour Operator #2			
	Tour Operator #3			
PRODUCT C	Tour Operator #1			
	Tour Operator #2			
	Tour Operator #3			
TOTAL				

EXHIBIT 5
PROJECTION OF REVENUE

PRODUCT ____________

	YEAR					
	Mature Year	1	2	3	4	5
Projected # of Customers						
Weighted Average Retail Price*						
Your Weighted Average Margin						
Projected Revenue						

* See the worksheet in Section 6 for developing the weighted average retail prices of your products.

Cost of Sales

Cost of Sales involves the costs of items resold to customers. For a receptive business, this is uncommon, but could include such things as specialized clothing sold to customers.

Costs will vary depending on the types of things involved.

Direct Operating Expenses

These costs are also referred to as variable operating expenses. Essentially, they include the costs that are directly involved in providing your products and services to your customers and they vary with the frequency your services are offered. These are the costs directly associated with the packages and tours themselves. In the case of a receptive operation, these will involve such things as:

- Wages - guides, escorts, drivers;
- Supplies - documents, fuel for owned transportation vehicles;
- Charges of suppliers for services provided for each tour or customer.

Some or all of these costs may be paid directly by the outbound operator, in which case they should not be included in your analysis. Include only the operating expenses you must pay out of your margin or the package price.

Overhead Expenses

Overhead expenses, sometimes call fixed expenses, do not vary very much with changes in the volume of business, as do direct expenses. These are the supporting costs of providing the products and services and, in general, running the business. They include the following types of costs.

- Management and administration salaries - reservations, sales administration, operations and administration;
- Fringe benefits;
- Marketing;
- Repairs and maintenance to owned vehicles;
- Utilities;
- Office supplies;
- Telephone;
- Rent;
- Equipment leasing;
- Insurance;
- Business taxes;
- Bank charges and interest (on operating capital only);
- Professional services;
- Travel;
- Training;
- Miscellaneous.

EXHIBIT 6
PROJECTION OF OPERATING EXPENSES ($)

	YEAR						
	BASIS FOR CALCULATION	**Mature Year**	**1**	**2**	**3**	**4**	**5**
COST OF SALES:							
Retail	% of Retail Sales						
Total							
DIRECT OPERATING EXPENSES:							
Wages							
Supplies	Worksheet						
Charges from Suppliers	Worksheet						
	Worksheet						
Total							
OVERHEAD EXPENSES:							
Salaries	Worksheet						
Fringe Benefits	% of Wages and						
Marketing	Salaries						
Repair & Maintenance	Worksheet						
Utilities	Worksheet						
Office Supplies	Worksheet						
Telephone	Worksheet						
Rent	Worksheet						
Equipment Leases	Worksheet						
Insurance	Worksheet						
Property & Business Taxes	Worksheet						
Bank Charges	Worksheet						
Professional Services	Worksheet						
Travel	Worksheet						
Miscellaneous	Worksheet						
	Worksheet						
Total							
TOTAL OPERATING EXPENSES							

Note: Worksheet means you will have to develop a worksheet to derive what these costs will be for your business.

Operating Profit

The total of the foregoing costs represents the cost of operating the business for the year, and the difference between total revenues and operating costs in a year represents the operating profit or operating income (or loss) for the business. Other costs, including depreciation and interest costs on financing are discussed in Appendix III, Net Income, Cash Flow and Return on Investment Analysis. You should reference this Appendix to calculate the projected net income of the business.

Net Income, Cash Flow and Return on Investment

Having calculated operating profits, it is now possible for you to determine whether or not the venture will be feasible. Simply put, you need to decide whether the projected profit from operations is sufficient to repay any debt and to justify the effort and the risks. This is a judgement call you and your investors (if you have any) have to make.

Appendix III describes the calculations that you have to undertake to determine the net income and cash flow of the business, and to calculate return on investment.

5.4 Is it Worth it?

The requirements of completing a credible feasibility assessment for your business proposal are clearly complex and onerous, but it is vital that a proper feasibility assessment be done before any major commitments are made to establishing your business.

Not all business people make the effort to undertake an assessment of their business plan. Without an assessment, they proceed to stake their capital and their livelihood on instinct, on gut feelings, and on the opinions of others who have nothing at stake. With so much at stake, it is worth a little time, effort, and investment.

The techniques of feasibility assessment are not generally understood, and some people believe that it isn't possible to predict the future accurately. These are poor excuses. It is possible to get some guidance on preparing a feasibility assessment (this manual is one source, of course) and it is possible to get help to carry it out. And while it may not be possible to predict the future accurately, predicting the future is not really what's involved here.

What is involved here is risk reduction, moving a business proposal from the pure seat-of-the-pants, "gut-feel" stage, a different stage that is almost certain to prove more accurate than gut feelings. There is a myriad of valuable information out there, some of which are easily obtained others not, which can help take the unknowns out of a business judgement. In addition, a feasibility assessment allows you to make a series of small judgements and specific estimates rather than one huge one, and the sum of a series of small judgements and estimates have proven again and again to lead to a more accurate prediction of future performance.

In fact, when the estimating is broken down into pieces, there will, more often than not, be sources of information to help you make an estimate with a high likelihood of accuracy. For example, you may not have any way of guessing what the total operating costs of your receptive tour business are likely to be, since your business will not be exactly like anyone else's.

However, your wage cost for guides is likely to be similar to that of other operations, your insurance rates for a twelve-passenger van will be similar, and your utility costs are likely to be similar to those of other businesses in the community for similar spaces.

Finally, the process of preparing a feasibility study will indicate a whole series of ideas, opportunities, challenges, and problems for you to consider. As a result, you will be able to actually improve your business plan as a result of doing a feasibility study, as well as develop important insights about what it is going to take to be successful in the future.

The best, and perhaps most important, investment you will make in establishing your business is the preparation of a feasibility assessment.

Where to Get Help

Help in preparing your feasibility study can be found in a variety of possible sources:

- Your accountant.

- Other operators of receptive tour operations. You may be able to talk a noncompeting operator into coaching you and helping you with projections. You may have to pay them a fee, but, if you're lucky, they might do it for the fun of it.

- Someone who's sold a tour business or has retired from the business.

- An official of a financial agency, such as ACOA and/or the Regional Development Authority office.

- A private consultant.

Addresses for many of these sources of help can be found in the Appendices to this manual.

Most of these sources will be free or low in cost.

As mentioned earlier, you may decide that the complexities or scale of your project require you to retain some professional expertise to prepare your feasibility study. You may not, in fact, have a lot of choice in the matter, since some lenders and investors will insist on a feasibility study prepared by a professional management consultant.

5.5 Preparing a Business Plan

Once you have completed the feasibility analysis, you need to prepare a business plan. The business plan is built on the material you have accumulated to date, and includes, as well, a plan of all the steps and processes you need to go through to get the project up and running, and then continue running it successfully in the future. This document should be updated periodically to reflect changes that occur as your plans unfold and should include both strategic issues and normal operating processes. While lenders will almost always ask to review a copy of your business plan, you should not look on it as just a means of obtaining financing. The business plan is critical to the ongoing operation and success of your business, and you should refer to it often.

The plan itself should contain all of the items outlined in Exhibit II-1 of this manual (the suggested table of contents for presentation for financing, found in Appendix II), as well as sufficient additional information to illustrate the steps you will go through to achieve your goal. You will need to include a marketing plan as well.

The overall plan will identify who will be responsible for each task, when it is expected to be done, what the anticipated outcome of the effort will be, and what the effort will cost.

Some suggestions for the types of things to include in the marketing part of the plan can be found in Section 11.

The overall business plan will include similar action plans for all the other key areas of the company's operations, including organization and staffing, operating policies, internal controls, information systems, etc.

There is no definitive table of contents for a business plan; some suggestions are provided in Exhibit II-1 in Appendix II. Knowledgeable operators all agree that these plans are essential for strategizing the direction they wish to take and detailing the step-by-step actions necessary for reaching their goals. In general terms, the more you put into the plan and the more you refer to it, the more likely you are to reach the targets and objectives you have set for yourself. Furthermore, the business plan should always be considered an evolving document, being changed as external conditions dictate and your own decisions require. Other aspects of your business plan will be considered further in Section 10, Operations.

SECTION 6

Package Development

SECTION 6

PACKAGE DEVELOPMENT[2]

Developing and marketing successful packages will be crucial to the success of your receptive tour operator business. As such, we have dedicated an entire section of the manual to developing and managing packages.

While, in some cases, you will simply be handling arrangements on behalf of outbound tour operators who have planned their packages themselves, in many instances you will be designing packages yourself and offering them to outbound tour operators. This section deals with the how to's of packaging.

First of all, what is a package?

Packaging can be defined as 'the presentation of a number of products and services that would normally be purchased separately, but which, in a package, are offered as a single product at a single price' (preferably a lower price than the individual could obtain on their own). Basically, the concept is to provide a comprehensive experience for customers, accompanied by the various services they require.

Each package is unique because it is designed for specific market segments. Each is, in fact, a special product created for a specific market, employing the best mix of features and services available to appeal to the market being targeted.

6.1 Marketing Power of Packages

Packaging has become a mainstay of the travel industry essentially because:

- It creates a new product which did not exist before, one having appeal to specific markets.
- It usually offers better value then do-it-yourself travel.

---

[2] The material in this section has been adapted from several sources, all of which were originally prepared by The Economic Planning Group. These sources include:

- *Nova Scotia HUB and SPOKE Tourism Marketing Seminar Manual*, prepared for the Nova Scotia Tourism RITC, 1989/90
- *Tourism is Your Business: Marketing Management*, Published by Canadian Hotel & Restaurant, MacLean Hunter Limited in co-operation with Tourism Canada and the Canadian Government Publishing Centre, 1986
- *Packaging for and Selling in the United States Leisure Market*, Published by Tourism Canada, 1995

- It makes it more convenient for the customer to buy the tourism product - one-stop shopping.

- It improves the appeal of the overall travel experience, since the trip-planning homework is done by others who presumably know the product well.

- It provides a degree of quality assurance and security to its customers.

Successful packages are ones which offer unique, appealing experiences for purchasers and good value. Tourism today is very much an experiential business, and a well-designed package has the marketing advantage of being built around outstanding experiences. Today's customer is seeking an experience: one that may be entertaining, exciting, educational, or just fun. The key thing to remember is that this is an experience business!

Too often owners and managers lose sight of this essential principle, becoming preoccupied with the day-to-day demands of the business: dealing with staff, paying bills, and handling problems. But all of these things are being done for a more important purpose - to provide appealing experiences for customers.

As a consequence, the first priority in planning a package is to design an experience that will appeal to the consumer (or several different experiences, as the case may be) better than the alternatives available.

6.2 Types of Packages

There are generally two types of packages provided by professional tour companies, such as the business you are considering. (There are also single destination packages, such as those offered by resorts, however, they are not a big factor with Nova Scotia receptive operators, except perhaps as an add-on to group or FIT packages)

Group Tour Packages

Group tour packages are usually escorted motorcoach tours, although we are now seeing some interesting hybrids, such as combination air/motorcoach, rail/motorcoach, and cruise ship/motorcoach combinations. Basically, these are packages in which individuals are booked into pre-set departure dates and become part of a group tour. Affinity groups (clubs, associations, and the like) can be a market for these tours, and often the tours are customized for them.

Motorcoach tours typically include transportation (by coach throughout or by air to the destination area and coach from there), accommodation for each night, some meals, attraction admissions, and the services of an escort and guides. The appeal of such tours is typically:

- Savings on travel costs;
- Assurance of a quality experience;
- Security of having the escort and driver look after the driving and the headaches;
- Safety;
- Companionship.

The market for these products has traditionally been retired, mature travellers. While some of the more successful motorcoach tours have been of the deluxe variety, more of them have been of the economy or value vacation variety. In the past, most people purchased motorcoach tours because they offered the cheapest way to travel, and arrangements were looked after for them.

While the economy tour will still be important in the future, we expect to see the greatest growth in the quality and good value type of product at the middle or upper end of the market, in special interest and theme tours, and in tours that offer some soft adventure experiences (walking, whale watching, etc.).

Individual Touring/Travel Packages

These packages are designed for couples and individuals and do not usually involve groups at any stage of the trip. A typical example is the fly-drive package, offering a saving in booking air, car rental, and perhaps some additional services on a packaged basis. They may also include accommodation for some or all nights, and/or some meals and/or attractions. In the travel industry these packages are called FITs, which used to stand for foreign independent tour, but which now has come to refer to any 'fully independent travel' package.

The FIT package caters to all types of travellers. It is preferred by individuals who like to be free of the constraints of group packages and are not intimidated by independent travel.

As today's consumers are more travelled than previous generations and, therefore, less concerned about being on their own, we are seeing strong growth in FIT packages.

6.3 Principles of Packaging

There are a number of important principles to follow in developing your packages:

- *Include demand-generators*

The key to successful packaging is to include attractions, activities and other experiential features, - all the features which give the package its appeal. Demand generators are what give the consumer a reason to buy the package. As discussed earlier, these features should have a quality experiential character: unique, exciting, one-of-a-kind experiences of appeal to the target market. Today's customer wants to participate, not just observe; to meet the people, not just be told about them; to ride the river, not just look at the waterfall.

But it has to be safe – thrilling but not frightening.

- *Careful planning and sufficient lead time*

Your package will require careful planning and sufficient lead time for implementation and marketing. The amount of time required will depend on the type of package and whether you are selling wholesale or retail.

If you are selling to outbound tour operators, your package program should be planned at least 12 to 18 months in advance.

Take your time; do it right. Go in person to check out the proposed package elements. If you are doing a special, one-time package for a custom group or a package associated with a special product, you can probably develop it in two to three months.

- *Ensure that the package is complete*

Do not leave out components that the customer is sure to require: e.g. if the customer is coming by air, make sure you include ground transportation to the hotel or to pick up the rental car, if it is not at the airport. Leaving out any of these essential elements will cause resentment from your customers.

- *Schedule activities at a comfortable but appropriate pace*

The old descriptor for packaged holidays, "If this is Tuesday, it must be Belgium" is no longer applicable to the successful modern package. People want to experience the highlights but at a comfortable pace, with leisure time for optional activities, shopping, or just taking it easy. But don't leave big gaps that may make people restless. Careful balance is the key. If there are delays between activities, give suggestions for other things to do.

Arrivals for multi-day packages should be scheduled for late afternoon or early evening, so the first full day of the package comes after an overnight rest. Departures should be in the morning or midday to allow for a restful return. Getting home in a state of collapse is not conducive to fond memories or helpful word-of-mouth recommendations.

- *Innovate over time*

It is important to give the market a reason to come again in subsequent years or seasons. New programming, different special events, and special shows can achieve this. The absence of new programming leads to early market burnout.

While this is particularly important for destination packages, which should be enhanced frequently, it is also important for group tours, which should be freshened up with new attractions and appeals periodically. Destinations like Branson, Missouri and Myrtle Beach, South Carolina have successfully accomplished this, and as a result; they both enjoy high repeats and have become two of the most successful package destinations in the US

- *Offer a benefit or a bonus*

Potential purchasers should be offered a benefit in the package that they would not receive if they purchased each component separately. Examples of such benefits include a price reduction or a free gift.

Off-peak and off-season periods require extra value in the offering: either a better price or added features at no extra cost.

- *Price the package competitively*

A package should be priced competitively in order to make it affordable and provide good value to the customer. It should also be priced under the total cost of purchasing the components separately.

- *Ensure that individual package components are compatible*

It is important that the elements of a package are compatible with each other and suitable for the target market. For instance, a package oriented toward retired, mature travellers should probably not include vigorous recreational components.

- *Consistent quality*

Make sure that each component of the package is of similar quality. If you are offering a deluxe package, don't use cheap motels!

- *Attention to detail*

Good coordination of packages generally requires that much attention be paid to details. It's in the details that things usually go wrong.

- *Provide customers with maximum flexibility*

One of the weaknesses of packaging is the inflexibility inherent in preselected itineraries. It is important that you minimize this weakness as much as possible. Provide your customers with as many suitable choices in the package as possible and inform them of the various options available.

In addition, people prefer to buy options at the destination rather then being locked in ahead of time.

- *Arrange packages and booking systems to ensure there is some customer compatibility*

There are certain mixes of market segments that are not compatible. It would be unwise, for example, to combine church groups and hockey teams or partying singles with families.

- *Keep customers fully informed*

Purchasers should be provided with complete information about such matters as clothing, weather conditions, and extra costs that might be incurred and are not included in the package price.

It is particularly important to notify customers in advance of any changes to be made to an itinerary.

- *Establish a fair refund and credit policy*

A set of realistic and fair policies should be established with respect to refunds and credits in the events of situations such as the unavailability of package components, bad weather, illness, etc. A generous policy for refunds in the event of cancellation by the customer is also recommended. You want to retain their goodwill and encourage them to re-book.

- *Make sure that the package is profitable*

In pricing and selling the package, make sure that you can earn an acceptable profit. More on pricing later.

6.4 Developing the Package

As a receptive tour operator, there are six steps to go through in developing your package.

1. Assessing the tourist attractions and tourist services at your destination;
2. Undertaking market research;
3. Developing your package;
4. Negotiating with suppliers and partners;
5. Pricing the package;
6. Establishing marketing, management and quality control plans.

Negotiating with suppliers and partners is dealt with in separate sections of this manual; the other topics are discussed in the rest of this section.

1. Assess your destination's attractions, products, and tourist services

   A key element of planning is building an inventory of the appealing experiences and attractions at your destination that might be included in your packages. Remember that it's appealing and exciting experiences that sell packages!

   You will need to undertake different types of product research. How to do this is discussed in more detail later in this section of the manual.

   You will also need to identify the support services available in those areas of the province that you will be including in your packages.

2. Undertake Market Research

   Sections 4 and 5 of the manual addressed the type of market research you would undertake for your business as whole. Here, we are concerned with the type of market research you should complete for your package program.

   An understanding of your existing market and the additional markets you might target for the package is a key element in the development and planning of the package and will help to ensure that the proposed package is market driven. The opportunities can be identified through market research.

   Relatively basic market research can be accomplished in a number of ways:

   - Examine sources of market information, particularly articles and studies dealing with market demand, growing/emerging markets, trends in travel preferences, and successful new tourism products and concepts. Such information is available from libraries maintained by the federal and provincial governments, and often by local community tourism organizations as well. Both data and strategic tourism studies are generally available and they can be used to gain broader insights. Sources of research information were identified earlier in Sections 4 and 5.

- Gather information from websites or brochures on other successful packages offered in your market area to obtain ideas.

- Study the package products of successfully competing destinations for ideas.

If you have already been in business for a while and are expanding your program, then you can undertake these additional types of research:

- Do your own customer research by evaluating past group and tour bookings and enquiries to determine where your market is coming from, as well as conducting informal discussions with existing clients to get feedback on your current product and solicit ideas for potential packages in association with your product.

- Administer your own visitor/guest surveys to obtain specific market information.

3. Develop the Package

First and foremost, it is important to develop a concept for each of your packages that will meet the needs of the travel market segments you wish to pursue. For each package, we suggest the following approach:

Develop a long-list of ideas

The basis for this list will come from your product research and your inventory of packageable features in the province.

For each package, your ideas should centre around the basic experiences you want to offer, based on the USPs of the attractions and activities available at your destination.

You also want to consider the target markets of the tour operators you will be targeting. What kinds of experiences do they prefer? What services and standards do they need?

Selection of the Package Theme

Having a theme for a package, based on the central experience to be offered, will increase its marketability by focussing its appeal to those markets for which the theme is of interest. Furthermore, having themed activities in the package will serve to enhance the quality of the experience for purchasers.

When selecting the theme/experience to be packaged, you should remember that the consumer's motivation to travel has been shifting from escapism to experience and enrichment. Tourists want to experience something different and memorable. In future years, there may well be changes in what the market is looking for and these changes could change the character and appeal of different types of products. It is important, therefore, to pay attention to these types of trends.

Determine the Most Appropriate Market Position for the Package

It is important to position your package in the marketplace in an appropriate fashion.

We mean by this that thought in planning should be given to the following:

- Economy versus deluxe: economy typically suggests motels versus downtown quality hotels, fewer meals, and only the very basic and necessary ingredients;
- The unique selling proposition offered to prospects: basically, the unique appeals and experiences to be offered, which will be relied upon to sell the package;
- The differentiation of the package against other options in the market;
- The value-added features of the package which will add to its appeal.

Determine what to Include in the Package

With a full list of potential package elements and themes in hand and a perspective on the best market positioning strategies, it is now time to select those experiences and services to include in the package. It is very important when going through this selection process to avoid choosing package elements based on your own likes and dislikes. Elements of the package should be chosen according to what fits the target market best. Elements should meet some or all of the following standards:

- Be consistent with the market positioning strategy;
- Be appropriate to the expectations of the market being targeted;
- Contribute to the unique selling proposition;
- Be differentiated from competing packages in the marketplace;
- Offer good value to the customer;
- Add to a quality experience.

Some of the components that you may want to include in your package are as follows;

- Attractions/events and activities

  Include these if they are important demand-generators or are central to the theme of your package. Offer them as options, if they are not. Some possibilities include:

  - Boat cruises, train rides;
  - Popular dinner theatres;
  - Historic sites;
  - National/provincial parks;
  - Unique museums;

- Musical shows;
- Local fairs and festivals;
- Visits to such things as farms and features indigenous to the local culture.

Generally, in planning a group tour, the focus should be on obtaining a mix of each of the following:

- Established, well-known attractions;
- Some lesser known, out of the way places;
- Unique, special experiences indigenous to the local culture or area.

With respect to this last point, you should include experiences of a non-tourist character, so that your customers can meet the locals, see how they live, and generally do unique things that the locals take for granted.

Experienced travellers are not as interested today in managed experiences; they want genuine, real experiences.

- Inter-city transportation

  Include this if you are offering a group package or if one particular mode of transport - the one you would offer - gives your customers a price or time advantage.

- Local transportation

  Local transfers are usually included if the package also includes inter-city transportation, that is if the customer doesn't have their own car.

- Accommodation

  Accommodation is a basic component for most packages, so it should be included, unless, of course, the package is intended to be a day package.

  Cleanliness and state of repair are the key issues with package customers, followed by value and convenience.

  Don't forget to arrange for baggage handling.

- Meals

  It is generally a good idea to include at least one meal a day, especially if it enhances the package. But beyond that, meals should probably be left out of the package to give your customers more flexibility. Even on all-inclusive packages that include meals, customers still prefer some free meal times.

  For groups, the best times for included meals are at the beginning of the tour or package, as part of a getting-to-know-you/welcome opportunity, and at the end of the package as part of a farewell experience. Special themed meals, such as cookouts, are usually included.

With group meals, it is preferable to have open menu dining. In this system, you use vouchers rather than a preselected group meal. This gives customers a choice of menu items at the restaurant, a choice of dining times, and potentially the choice of restaurants as well.

Customers on open menu programs are treated as individuals, they get to meet people other than those on the package or tour, and they generally have a lot more flexibility. Customers get to act like they would on their own.

With group packages, it is important to make reservations in advance and time the arrival carefully to ensure the restaurant can handle the group. If possible, customers should have a choice of menu rather than be forced to order from the tour menu.

- Drinks

  Alcoholic beverages should not be included unless they are part of a special event (for example, a welcome cocktail party). Non-drinkers will resent paying for free drinks.

- Taxes

  Taxes should always be included; otherwise, customers will feel there are hidden extras, which will not be appreciated.

- Gratuities

  Generally, for group tours, it is a good idea to include gratuities on included package items, since customers will not be paying directly and will rarely tip in these circumstances. You want to ensure that your customers get quality service. On optional and non-included items, gratuity suggestions should be provided to your customers.

It is important to think through all of the likely needs of the tourist purchasing the package and make sure that the key services they require are included. Things that are not essential but may be of interest should be offered as options or listed as suggestions to the customer.

Basically, you need first to identify the types of products, experiences, and services you or your client would like to have included in the package, and then seek out a quality supplier of that product in the province. Your research should concentrate first on the demand-generating experiences you want to include in each package, since these will form the backbone of the package. Once you are comfortable with these elements, then you can research the other services that you will need, such as accommodations, places for meals, etc.

Some good sources of information on Nova Scotia's tourism products include:

- Nova Scotia's tourism website - www.novascotia.com and the Nova Scotia Travel Guide (Doer's and Dreamers Guide to Nova Scotia) - which include a listing of many of the products and services available in the province;

- Other publications prepared by the provincial Department of Tourism, Culture and Heritage, available through provincial information centres or by calling the Check In Information Service;

- Regional websites and travel publications and individual supplier websites and brochures; brochures and other printed collateral are available through local and regional visitor information centres;

- Nova Scotia Museum, particularly if you are looking for detailed information on special products such as culture or heritage experiences, birdwatching.

You should start files on each of the products you research. Include all the printed information on the product as well as your notes and comments on your experiences and your dealings with the supplier. Add any comments you receive from your customers to help you identify where changes may need to be made in your arrangements with this supplier. Keep product files even on products you don't plan to include in your packages. You never know when you will get a call to put together a custom tour incorporating some special interest or activity.

6.5 Pricing Your Package

In general, package pricing can be undertaken using the following steps:

1. Calculate Total Variable Costs Per Person

   Add up the per person costs of all package components at the rates quoted by your suppliers, net of all commissions and discounts. These costs could cover meals, accommodation (usually one-half the double occupancy rate, if the rate is based upon two people per room), attraction admission fees, and other costs normally charged on a per person basis. Varying rates for children, retired mature travellers, singles, third persons per room, etc. should be noted, as should seasonal variations. Don't forget details like taxes, baggage handling, and maid gratuities.

   It is helpful to use a multi-column worksheet where you can record the variations for each cost item. An example of a package pricing worksheet is found in Exhibit 7. A separate page is used for each day.

2. Calculate Fixed Costs Per Person for a Specific Departure/Date

   Add together the fixed costs for a specific departure or package date. i.e. the costs that will not change no matter how many customers buy the package. These costs could include a motor coach charter, the services of a guide, guest speaker, and so on.

   Then divide the total fixed costs by, say, 70% of the number of people targeted to buy the package. By using a percentage less than 100%, you reduce the risk of loss caused by lower-than-expected package sales and you increase the chances for extra profit if the package is a greater success.

   If there is significant uncertainty as to the numbers of customers on given departures, it may perhaps be necessary to use a lower percentage. Remember, however, that using a lower percentage will increase the price of the package and weaken its appeal and competitiveness.

   Again, a separate page is used for each day

EXHIBIT 7

PRICING WORKSHEET PAGE 1 - VARIABLE COSTS

PACKAGE: ____________________ **DAY:** ________ **PAGE:** 1

PACKAGE COSTS	Retail Value Per Unit	Net Cost Per Unit	Net Cost Per Person	-- Seasonal Discounts --			-- Discount/Supplements Per Person --				
				Shoulder (2)	Off Season (2)	Other (2)	Seniors(2)	Children(2)	3rd Person (2)	Single Supplement (2)	Group
VARIABLE COSTS											
1. Accommodations (1)											
2. (a) Breakfast											
(b) Lunch											
(c) Dinner											
3. Attraction/Activity											
4. Attraction/Activity											
5. Ground Transfer											
6. Baggage Handling											
7. Gratuities											
8. Other											
9. Other											
10 Other											
TOTAL VARIABLE COSTS											

1 Divide the Room Cost by the Number of People per Room.

2 Enter the dollar value in savings per person - discounts as a minus number, supplements as a positive number

EXHIBIT 7 continued

PRICING WORKSHEET PAGE 2 — FIXED COSTS (GROUP FEATURES OF PACKAGE ONLY)

PACKAGE: ____________________ **DAY:** ______ **PAGE:** 2

Capacity (# of people)____________

Estimated Average Load Factor:____________

PACKAGE COSTS	Total Cost	Cost Per Day	Allocated Cost Per Person (Based on capacity)	Estimated Load Factor (Average Percentage)	Grossed Up Cost Per Person	-- Seasonal Discounts --		
						Shoulder	Off Season	Other
FIXED COSTS PER DAY								
Motorcoach/Van								
Driver								
Guide								
Step-On Guide/Expert								
Other								
Other								
Other								
Other								
Other								
TOTAL FIXED COSTS								

EXHIBIT 7 continued
PRICING WORKSHEET PAGE 3 - OVERHEAD COSTS AND GROSS-UP

PACKAGE: ______________________

OVERHEAD, MARKETING, & MARKUPS

PAGE: 3

	Cost Allocation Per Package	Net Cost per Person (Pg 1) Plus Allocated Cost Per Person (Page 2)	Load Factor Gross Up	Grossed Up Cost Per Person	--Seasonal Discounts --			--Discount/Supplement Per Person --			
					Shoulder	Off Season	Other	Seniors	Child	3rd Peron	Single Suppl.*
Total Variable Costs (sum from Page 1 for each day)											
Total Fixed Costs (from Page 2 for each day)											
Subtotal											
OVERHEAD ALLOCATION											
Marketing											
Other Overhead											
Subtotal Overhead Costs											
TOTAL VARIABLE, FIXED & OVERHEAD COSTS (ALL DAYS)											
Gross Up Factor for Profit											
Gross Up Factor for Commissions/Discounts (Page 4)											
Calculated Retail Price (Before taxes)											
ADOPTED RETAIL PRICE FOR THE PACKAGE											

* Single Supplement, Not Sharing

EXHIBIT 7 continued

PRICING WORKSHEET PAGE 4 - CALCULATION OF GROSS UP FACTOR FOR COMMISSIONS AND DISCOUNTS

Calculation of Gross Up Factor for Commissions and Discounts			
Source of Business	**Percentage of Total (Column 2)**	**Average Commission/Discount (Column 3)**	**Allowance on Total (Column 4)**
Direct Consumer Sales Travel Agents Tour Operators			
TOTAL			

Notes:

Column 2 times Column 3= Column 4

Add Column 4 vertically to determine total allowance for commissions and discounts

3. Calculate the Package's Marketing and Share-of-Overhead Costs on a Per Person Basis, for the Program as a Whole

   Calculate the package's marketing and share-of-overhead costs, and then (as in Step 2) divide by +/- 70% of the total number of customers expected. In this case, the worksheet is only used for the package as a whole, not for each day.

   As a receptive operator, you will first have to allocate all of your marketing and overhead costs to each package program and then, once you have done this, to each departure. Thus these costs are amortized over all of the dates/departures for each package, as well as over each of your packaging programs.

4. Calculate Total Package Cost on a Per Person Basis

   Add together the per person costs calculated in Steps 1, 2, and 3, to arrive at a total package cost per person.

5. Mark Up Total Package Costs to Cover Commissions and Provide a Profit

   Mark up the total per person costs to cover travel agent commissions and tour operator margins and, of course, your profit.

   This topic is explored more fully in Section 8 - Negotiating Supplier Partnerships.

   If a mix of commissionable bookings, or a mix of commissionable and non-commissionable business, is expected, you will have to calculate a weighted average commissions allowance, based on the expected proportions of sales.

   If the package is being offered for off-season periods, then a lower percentage might be appropriate than that for high season, where you want to maintain a healthy profit margin.

   The total package price per person is therefore:

Total Variable Costs Per Person

+

Total Fixed Costs Per Person

+

Share of Marketing and Overhead Costs Per Person

+

Commissions and Your Profit Per Person

6. Calculate Selling Prices for a Full Range of Customers

To calculate your selling prices for the full range of your customers, you have to adjust your total package price per person, so that you can offer rates for singles, third and fourth persons sharing one room, children, people travelling off-season, retired mature travellers, groups, and so on.

Appropriate reductions and extra charges may have to be negotiated with all the component suppliers and these should be taken into account when calculating your range of selling prices.

It is important to establish a range of prices which, on average, based on your expected mix of business, provides you with the average profit targeted in Step 5.

The acid test of package pricing is whether the customer can buy the package for less than the aggregate retail value of the included elements plus a reasonable fee for your escorts and the other services you provide. This is what consumers expect; they expect to save by buying a package. This means that you have to cover all the marketing and overhead costs, as well as the commissions and your profit margin, with the discounts obtained from the various suppliers involved, and still have a saving to pass on. This is a significant challenge, and will require a dedicated effort if you are to accomplish it.

6.6 Product Management and Administration

Quality control when planning and managing your package program is vitally important. Your best intentions and a well-conceived package program concept are not in themselves enough to ensure a satisfactory customer experience. Many things can go wrong. What is required, therefore, is a quality management program consisting of six elements:

- Careful and thorough planning and negotiation with suppliers, directed at coordination, management, and problem solving processes;
- Contingency arrangements where there is a risk of cancellation, weather problems, and the like;
- A management process within your company to coordinate arrangements and deal with problems;
- Communication with the customer;
- A generous policy for refunds and credits;
- A system to track results.

It is important to recognize that each of your packages is a tourism product in its own right, with its own needs for management systems and procedures to ensure a quality experience for customers. This is a complex and a sophisticated business and management and administration must be a top priority. This is not intended to intimidate you, it simply means that you have to pay attention to details when planning and coordinating your packages.

We will deal with each of the six elements of a Quality Management Program in turn.

Product Planning

In planning the product, there are a number of quality control initiatives which can help ensure its quality. The following suggestions are offered:

- Visit each property/service included in each package. This allows you to check out the physical quality of facilities and determine whether they are really suitable. If parts of the facility are substandard, you can arrange for your customers to receive only those that are satisfactory. You can also meet with the management and staff who will be serving your customers and impress on them your expectations, review policies and procedures, and discuss any areas of concern.

- Commit all details of the arrangements to writing and have each property/service confirm in writing. This should cover basics such as dates, prices, and services to be provided. It should also cover quality standards, special services, and the like.

- Ask each supplier to appoint a liaison/coordination person to be your point of contact. This person should be in management and have the authority to make decisions regarding arrangements, problem solving, etc. This person should also be given the responsibility of overseeing the services being provided to the customer, and should be on call if any problems arise. (A backup liaison person would be a good idea too.)

- For each supplier, establish a problem-solving procedure agreeable to both parties and agree on procedures and standards of personalized hospitality to be provided to your customers. Where possible, little extras should be arranged to provide a pleasant surprise for your mutual guests.

- Agree on a program to brief/train your own staff and those of your partner on the package features, services to be provided, problem solving procedures, and expected standards of hospitality.

Contingency Arrangements

If it is possible that the services in the package may not be available for a particular customer, there should be a contingency plan, made during the planning stage, for substituting an equivalent product. (The possibility should be mentioned in your brochure in this respect.)

Your Management Process

Beyond the planning process, a management process is needed within your company for the delivery of the package itself. This consists of the following elements:

- Appoint a member of your staff to act as the coordinator for the package and to be the contact person for both customers and suppliers. There should also be one or two backup people appointed to cover periods when the main coordinator is unavailable.

- Use a confirmation form to communicate with suppliers, informing them of dates/names/special requirements/etc. of bookings received.

- For major package elements, make phone calls to participating suppliers a couple of days ahead of each departure to reconfirm.

- Confirm the availability of your participating supplier's liaison person for the package. You should confirm their ability to meet the customer on the date in question and solve any problems, etc. or make sure they have a backup person appointed and briefed for this task.

- Ask participating properties to have their liaison person meet the customer(s) upon arrival, if possible, and offer their services should the customer require any assistance. Encourage helpful suggestions and offers to make any special arrangements desired by the customer. Generally, a high standard of personalized service should be the objective.

Customer Communications/Documents

The customer should be sent a package of information well in advance of the package date. The package should include the following:

- Copies of confirmations for key package services;

- Appropriate vouchers/tickets;

- Maps and other general information on the destination area, its attractions, etc.;

- Detailed instructions regarding the package and such things as customs and immigration, currency, etc.;

- Suggestions on what to bring, other things to do, etc.;

- Policies and rules governing the package;

- The name and phone number of your coordinator (and your backup people);

- Names of contact people at the participating properties;

- Established procedures for obtaining information or help, solving problems, making complaints, etc.;

- Other materials appropriate to the particular package.

The kit should also make clear whether any substitutions have been made to the original package description and the reasons for those changes. If the change is a major one, it is better to call the customer in advance to discuss the matter and reassure them, and to give them the option to change their date or cancel.

You will have to negotiate an arrangement with the outbound tour operator on who develops each of the above.

Refund and Credit Policy

Some tour operators have the attitude that once a customer is booked, the operator is entitled to aggressive policies to hold on to them or at least their money. They apply cancellation penalties, non-refundable deposits, and forced substitutions of package elements. Few of these practices make for a quality customer experience!

We recognize that some policies along these lines are appropriate, particularly for last minute cancellations without good cause. However, as a general rule, we believe it is a better investment in long-term customer satisfaction, referrals, repeat business, etc. to have a generous policy, within reason of course. Customers should be given the maximum, reasonable amount of flexibility.

Your policies on cancellations, refunds and the like should be carefully designed and developed in consultation with your tour operator partners, with consideration for the realities of their business as well as your own. They should also be based upon the real needs of your business.

In cases where you have to make changes to the package, the customer should be given the full right of cancellation. The likelihood of cancellation can be minimized if a call is made, an explanation given, and reassurances provided. However, if the customer is not satisfied, give them the freedom to book something else or to cancel and receive a full refund.

Tracking Results

Finally, it is important to monitor results, as this provides vital feedback to assist you in improving your packages. Suggested techniques include:

- Customer questionnaires, including questions designed to identify problems, complaints, and areas for improvement. (Positive experiences should also be sought out and the appropriate staff commended.)

- Phone interviews of a sample of customers after they return home. This will permit deeper probing about the customer's experience.

- Meetings with management and staff at participating properties to review problems and successes.

- A system to log any complaints received, and a procedure to follow up on complaints promptly - with both the offending party and the customer.

- Have your product staff provide a report on the results of all the foregoing initiatives, along with recommendations for package improvements.

In addition to monitoring the package itself, it is important to track the results of your marketing efforts; specifically, which market segments produced the best results and which promotional techniques were most effective. If you are marketing directly to consumers, some suggestions include:

- Putting questions on the customer questionnaire about customer demographics and other relevant market information and about how they learned about the package, what appealed to them, for example.

- Coding your advertisements, by using coupons and/or department numbers, so that enquiries can be traced.

- Asking people making reservations where they learned of the package.

- Cross-checking reservations against enquiries to determine conversion rates. Conversion rates refer to the percentage of enquiries which are converted into actual bookings.

6.7 Phasing

It is important that you don't try to introduce too many packages at one time. Start with only a few, carefully plan and debug them and make sure they are working well before introducing any more. This is one of those situations where less is more. Having two or three successful packages initially is much better than having eight or ten that are full of problems.

SECTION 7

Negotiating Travel Trade Partnerships

SECTION 7

NEGOTIATING TRAVEL TRADE PARTNERSHIPS[3]

We have been referring to the relationship between your receptive business and the travel trade as a partnership, which it most assuredly is. Your relationship with your suppliers is also a partnership, with some differences.

In working with the travel trade, the outbound tour operator is the marketer; you are the product coordinator; your suppliers are the product providers. The elements of the partnership with the tour operator is as follows:

In consumer marketing, the outbound tour operator is responsible for promotion, reservations and ticketing. They will look to you to provide copy and photos for the brochure, and material for inclusion in the customer's information kit.

In marketing to travel agencies, the outbound operator will look to you to assist with arrangements for FAM trips.

In providing the product, your role can vary. Generally, the outbound operator will be responsible for getting the customer to your destination, and you will be responsible for greeting them and generally coordinating arrangements for them. You may be required to issue vouchers and other documents to them on arrival.

In administration, your role may be to issue confirmations to suppliers, receive and approve billings from suppliers and handle payments to suppliers.

Each situation will differ, depending on the respective preferences of the outbound operator and the receptive operator, and the particular requirements of the package. You will need to establish the details of the modus operandi of the program with each tour operator and for each program.

---

[3] The material in this section has been adapted from several sources, all of which were originally prepared by The Economic Planning Group. These sources include:

- *Nova Scotia HUB and SPOKE Tourism Marketing Seminar Manual*, prepared for the Nova Scotia Tourism RITC, 1989/90
- *Tourism is Your Business: Marketing Management*, Published by Canadian Hotel & Restaurant, MacLean Hunter Limited in co-operation with Tourism Canada and the Canadian Government Publishing Centre, 1986
- *Packaging for and Selling in the United States Leisure Market*, Published by Tourism Canada, 1995

7.1 Coordination, Liaison and Quality Control

Needless to say, managing your relationship with your travel trade partners requires the same kind of attention as does the management of your own business. Here are some tips:

- Take the time to work out the details of your arrangements, then confirm them in writing. Where there is the risk of changes, agree on the kinds of contingency arrangements or substitutions that can be made, and the procedure for making them.

- Put on an initial product orientation/training session for their reservations staff, product staff and supervisors. Arrange to provide the staff with brochures on your product and other information on your destination. Where possible, their key staff should participate in a FAM trip.

- Establish a regular reporting program by the tour operator, so you can track the progress of their bookings. The reports can be used as the basis for appropriate adjustments in block space allocations with your suppliers.

- Establish liaison people at both ends, with backups. These people should have decision-making authority with respect to contracting arrangements.

- Communicate with the tour operator with respect to any changes to arrangements. This should be in writing, by email or by fax, with follow-up to confirm the communication if the change is of major significance. Substitutions should be of equal or greater value.

- Be reasonable! The basis for your relationship is one of partnership. Don't stick to firm policies if circumstances warrant a custom arrangement, or a custom change. Negotiate in good faith. Also, be reasonable with cancellations, deposits, etc.

- Solve problems quickly and thoroughly. Tour operators will drop you if there are too many headaches in the relationship.

- Log sales results, problems, customer letters, etc. for review with your partner at the end of the program and to provide the basis for product enhancements for next year. To the same end, collaborate with your partner in a program of on-tour or follow-up research to determine guest satisfaction, suggestions for improvements, etc.

Some other guidelines for working with the travel trade are discussed in Section 6 on Packaging and in Section 11 on Marketing.

SECTION 8

Supplier Partnerships

SECTION 8

SUPPLIER PARTNERSHIPS[4]

8.1 Potential Suppliers

Potential suppliers for your tours and packages will include a wide range of businesses. Major suppliers will be:

- Airlines, particularly if you are doing FIT business and selling your own tours direct to consumers (airlines are both travel trade partners and suppliers);
- Ferries
- Accommodations;
- Attractions;
- Restaurants;
- In-province transportation companies;
- Outdoor adventure operators;
- Local sightseeing operators;
- Car rental companies;
- Performance theatres;
- Festivals.

Basically, all of the providers of services required by customers on the package are potential supplier partners.

Suppliers You Can Work with

Seek out suppliers who are prepared to cooperate with you in ways you prefer. What you need are suppliers who generally meet the following criteria:

- Willing to provide net rates you can work with (We expand on this below.);
- Willing to meet other normal terms of trade for travel trade businesses, such as block space, no deposit required, post-travel payment, etc.;

---

[4] The material in this section has been adapted from several sources, all of which were originally prepared by The Economic Planning Group. These sources include:

- *Nova Scotia HUB and SPOKE Tourism Marketing Seminar Manual,* prepared for the Nova Scotia Tourism RITC, 1989/90
- *Tourism is Your Business: Marketing Management*, Published by Canadian Hotel & Restaurant, MacLean Hunter Limited in co-operation with Tourism Canada and the Canadian Government Publishing Centre, 1986
- *Packaging for and Selling in the United States Leisure Market*, Published by Tourism Canada, 1995

- Make a commitment to deliver what they promise;
- Have a professional approach to business (e.g. having a phone number where they can be reached in the off-season!).

For the partnership to have any real chances of success, your suppliers have to see themselves as professionals and be prepared to operate their business in a professional manner. They have to be willing to make an effort to understand how the travel trade works - to participate in the big picture of how the tourism industry itself works. Tour operators refer to a' travel trade culture', meaning an understanding and willingness of suppliers to operate their businesses in ways which allow travel trade partnerships to be successful.

8.2 Price Negotiation

You have the responsibility to negotiate the costs of all the package elements provided by your suppliers, as well as control the other administrative arrangements involved.

Most suppliers will have an existing schedule of discounts and commissions. These may be good enough for your purposes. However, your responsibility to your tour operator partner, to the price competitiveness of the package, and to your own bottom-line profitability is to negotiate the best possible price for each element of the package. Also, as you are going to have a tour operator and probably a travel agent involved in marketing the product, the discounts have to be sufficient to cover their margins as well.

The discounted price negotiated with the supplier is known in the trade as the 'net rate'.

A summary of the kinds of supplier discounts and commissions considered normal by the travel trade is presented below.

GUIDELINES ON SUPPLIER COMMISSIONS AND DISCOUNTS	
Travel Agent Commission on Individual Bookings	10%
Travel Trade Wholesaler Discounts (Reductions from Retail)	
For A Tour Operator	20% - 25%
For A Receptive Tour Operator	25% - 35%
For Group Leaders, Affinity Groups	5% - 10%
Consumer Discounts	
Off-season	10% - 50%
Children	30% - 60%

As you increase your business from year to year, your suppliers should be more receptive to lower prices and larger tour operator discounts.

Remember in your negotiations that your package promises many appealing things to your suppliers, and these should be taken into account in the kind of deal you strike. The supplier is going to benefit in the following ways, which make it more feasible for them to sharpen their pencil:

- Marketing and overhead costs are being carried by you and the tour operator and are removed from the supplier.
- Business is booked well in advance, an advantage to the supplier in terms of planning and scheduling.
- The package may very well be providing business in slow periods.
- If the booking is a group tour, the property can realize a variety of efficiencies; in front desk operations and housekeeping in particular, and there are rarely any disciplinary problems.

One of the challenges you will face is getting suppliers who have not worked with the travel trade much in the past to understand and accept the need for, and appropriateness of, the kinds of discounts from their retail prices that you are going to need. For many suppliers, the prospect of cutting their prices by 20% to 35% will be daunting. However, there are several powerful rationales in support of the concept, and many suppliers have discovered the cost effectiveness of doing business with wholesalers on the basis of deep discounts. The cost effectiveness is based on the following premises:

- The first is the principle of marginal cost pricing, which can be applied to most tourism businesses. This principle focuses on the incremental cost of servicing an additional customer. Given the presence of substantial fixed costs in most tourism businesses, there are usually substantial economies of scale in adding one more customer, or adding an additional group of customers.

  During periods when your supplier's business is not expected to operate at capacity, as long as the revenue from an additional customer covers more than the incremental costs of servicing the customer, it is profitable to take the booking. A classic example of this is the renting of a hotel room. The incremental cost of renting one more room on a given date, when otherwise the room would be vacant (or an additional block of rooms for that matter that otherwise would be vacant), is only a small fraction of the cost of the normal room rate, probably only $10 or so. The incremental costs for a hotel to service an additional customer are probably limited to an additional half-hour of a room attendant's time, some room supplies, and perhaps some additional heating cost; but that's about it. All the other costs - for marketing, overheads, debt service, etc. - will not increase.

  The concept of marginal cost pricing is important for rationalizing the discount structure involved in doing business with wholesalers. To make it work, the program must, on balance, generate a significant portion of package-related demand for the supplier in periods when there would normally be surplus capacity: in other words, during periods of the week or the year that can normally be predicted to be slow. The cost of the discounts can then be weighed against the incremental profitability of the additional business in these periods.

It is not, however, reasonable for a supplier just to do business with wholesalers in slow periods. You are definitely going to want to do business in their busy season as well. It will, therefore, be important to convince the supplier to weigh the cost-benefit of the discounted business not only against the incremental profitability involved in off-peak periods, but also against the lost margin on wholesale business in periods when they might have been able to sell the product at full rates.

- The second issue is that of cost displacement. The wholesaler assumes various costs in developing, marketing, and managing the packaging program, and, to some degree at least, this can represent a cost saving to the product supplier. The most obvious example is marketing costs. If a property budgets 5% of revenue for marketing, there is a relative cost saving equal to 5% of the net sales price of the product on business brought in the door from a wholesale packager who handles their own marketing. There are similar savings on sales administration, accounting, supervision, and management. It is quite reasonable for an accommodation property, for example, to realize overall savings of 15% to 20% on its costs in servicing the customers of travel trade wholesalers.

- A third consideration is that of market diversity and risk reduction for the product supplier. For example, an accommodation property or an attraction suffering ups and downs in business because of cyclical swings, poor weather, local price competition, the entry of a new supplier, or other short term situations can benefit from the longer term stability of wholesaler block bookings. These bookings are not as likely to be affected by short-term or local conditions, resulting in a more predictable and stable base of business from completely separate markets, over a period of time.

In conclusion, for the vast majority of suppliers, it will be worthwhile for them to work with the wholesale travel trade by offering the expected discounts and commissions. A careful evaluation of the supplier's cost and pricing structure and of the incremental costs and revenues associated with increases in business is necessary to demonstrate the basis for such discounts.

Unfortunately, too few tourism operators understand the foregoing aspects of their business. Airlines and others such as chain accommodations who practice revenue/yield management in their businesses do recognize these principles and operate their entire business in accordance with them. They are in the minority. You will have a job selling the idea to many of your potential suppliers.

Other things to remember in negotiations with suppliers:

- You will need complimentary services for tour guides, drivers, and FAM trip guests.

- Baggage handling, gratuities, and other details have to be arranged and the costs included in the package.

- It is reasonable for a supplier to want deposits the first time you do business together, but deposits should not be necessary on an ongoing basis. Deposits should only be paid on the basis of deposit receipts from customers.

- Arrangements need to be made with respect to regular booking reviews, with corresponding adjustments to space being held for the program.

A receptive tour operator uses the net prices as the base cost of the package and then adds markups on the net cost to cover additional services to be provided (tour guide, step-on guide, etc.), as well as overhead and profit, and also the margins required for the outbound tour operator and a travel agency.

8.3 Sales Administration

The administration of your business relationship with your suppliers will have a number of elements. Some you will be responsible for, others may be handled directly between the outbound tour operator and the supplier. In any event, in addition to the net rates, the various elements to be addressed in the arrangement with the supplier include the following:

- Block booking procedures, including arrangements for sales reports, space release dates, etc.;
- Billing and payment procedures, including deposits, if required;
- Confirmations, including notification of special customer requirements;
- Use of vouchers, coupons;
- Special requirements, if any, for the tour operator's clientele.

8.4 Coordination and Management

Issues related to the coordination and management of packages with your suppliers were dealt with in detail in Section 6.

SECTION 9

Legal, Regulatory and Tax Matters

SECTION 9

Legal, Regulatory, and Tax Matters

This section addresses legal, regulatory and tax matters concerned with the establishment of your receptive tour operator business. There are a multitude of laws and regulations that affect business and readers should note that the information contained herein is a guide only.

It is strongly suggested that the reader undertake efforts to verify any information on which their business plan is based and not rely solely on the information in this manual. There are areas where you may want to consider retaining the appropriate professional expertise to assist you.

While the information contained in this manual is believed to be accurate, as of the winter of 2005, it is not so warranted. The reader should note that federal, provincial and municipal laws and regulations change frequently and it is recommended that you check with the appropriate authorities, listed in the Appendix, including representatives of the Nova Scotia Department of Tourism, Culture and Heritage and your local Business Service Centre (on line at www.gov.ns.ca/snsmr or at Access Nova Scotia centres around the province), to obtain up-to-date information on laws that may affect your business.

9.1 Vehicle Permits and Licensing

As discussed earlier, you can either charter any vans or motorcoaches that you require to operate your receptive tour business or you can purchase your own vehicles. In the early years of your business, you are most likely going to charter, in which case you do not have to be concerned with vehicle permits and licensing. However, if you decide at some point to acquire your own vehicles, prior to doing so, acquire your various permits and licenses. In any event, it is helpful if you have an understanding of this issue.

All vehicles used in your operation must have valid permits and licenses issued by Service Nova Scotia and Municipal Relations Registry of Motor Vehicles. In addition, drivers must have the appropriate class of drivers' licenses for the type and size of vehicle they will be operating. Contact Service Nova Scotia and Municipal Relations' Registry of Motor Vehicles for additional information.

You will require a Motor Carrier License to operate a vehicle that holds nine passengers or more (excluding the driver); or a Commercial Van License for vehicles that carry 8 passengers or less (excluding the driver)and provide a daily, weekly, or other regular service, or a charter or tour service that enters or departs any municipality. These are available by contacting the Nova Scotia Utility and Review Board, Motor Carrier Division (website: www.nsuarb.ca).

If you intend to use a limousine or taxi cab to transport passengers, you must obtain a taxi/limousine operator's license from your local municipality. Your municipality may have specific regulations regarding the number of taxis/ limos it will license, as well as fare limits. In addition, your municipality will likely require an annual inspection of the vehicle for its operating license renewal. It should be noted that a taxicab is considered to be a vehicle that has a seating capacity of 8 passengers or less (excluding the driver) and is operated within a municipality, or under hire on single contracts within the province (one way or return) and is not operated as a regular service or a charter service.

As previously indicated, a Commercial Van License is required if your vehicles accommodate eight people or less, excluding the driver, and provide a daily, weekly, or other regular service, or a charter or tour service that enters or departs any municipality. Under this type of license the owner/operator of a vehicle is subject to regulations, including those relating to hours of work, vehicle inspections and maintenance records documentation; as well as the following required safety features:

- Portable fire extinguisher
- Unitized first-aid kit
- No less than 3 triangular reflectors

As a receptive tour operator utilizing a Commercial Van License, you should pay particular attention to the hours of work allowed under the Motor Carrier Act Regulations. If you or an employee will be driving, in addition to performing other duties relating to your business, you will be subject to regulations relating to the number of hours you are permitted to operate a vehicle during a given time period.

For larger vehicles - those carrying nine or more persons, excluding the driver, a Motor Carrier License is required. If you are chartering the vehicles from another company, then the Motor Carrier License is the responsibility of that company and you only need to worry about whether your supplier has the necessary operating authorities.

There are two types of Motor Carrier Licenses which are relevant to this type of business:

- A Charter License, which permits you to hire/charter your vehicle for a lump sum price for the purposes of chartering for groups, tours, and adventure travel;

- A Sightseeing License, which permits you to sell individual tickets for tours using the vehicle.

You can have both types of license but you can only offer the type of products and services that are spelled out in the license. Your license will indicate:

- The type and size of the equipment you are using;

- The prices you will be charging, including regular rates, discounted rates for the travel trade, etc;

- Your itinerary, routes, and where you pick up and drop off passengers (this could cover a large or a very small geographic area). (Note that this is a key requirement for

Sightseeing Licenses. For Charter Licenses, the restriction only pertains to the geographic area in which you may operate.)

For receptive tour businesses, the Board recommends that you apply for a Charter License which will permit you to hire out your vehicles for the purposes of group charters, tours, and sightseeing excursions.[5]

If you wish to apply for a Sightseeing License, you should be aware that this license will be much more restrictive than the Charter License and will set out fixed routes, fares, schedules, etc. This may not be the preferred licensing method for tour operators, since any changes to your tour itineraries, fares, etc., will require amendments tothe aforementioned schedules to be approved by the Board prior to their implementation.

The Nova Scotia Utility and Review Board will assist you in applying for the correct license and completing the application forms.

For all license categories, the Utility and Review Board will expect to see a comprehensive business plan identifying your markets and where your business will come from, as well as the financial basis for your operation. In providing Motor Carrier Licenses, the Board attempts to ensure that there is a sufficient market available so that existing operations can continue to operate on a reasonable financial basis, while you also operate a financially viable business.

The process of obtaining a permanent Motor Carrier License takes about six to eight weeks, assuming there are no major objections. Once your application is completed and submitted to the Board, they place an advertisement in the Royal Gazette (two issues), and anyone (existing businesses, the general public) has 21 days to enter an objection. If there are no objections, the application will proceed to the Board for consideration.

If there are objections, they will be reviewed by the Board and the Board may convene a hearing to listen to the concerns of the parties objecting. Parties can object to any element of your application, e.g. rates, route, size and type of coach, etc. If there are objections, the process lengthens, usually by about another 30 days but possibly much longer, depending on the scale and nature of the objections.

If you are starting a new business, you may want to consider applying for a Temporary Authority under the Motor Carrier Act. This license costs a bit more but can be granted by the Board without going through the process of advertising for objections. The Temporary Authority is valid for 90 days, can be extended for an additional 90 days and can be granted within a two to three-week period, provided the applicant can establish an immediate and/or special need which might permit the Board to issue this Temporary Authority. Note, however, that being issued a Temporary Authority does not necessarily guarantee that you will be awarded a permanent Motor Carrier License when you apply for one. You may, therefore, want to consider seriously the level of investment you want to make in your business, based only on a Temporary License.

---

[5] Many operators in Nova Scotia set up a separate charter company to serve this purpose, with the fluctuating elements of the tour business handled by the main tour company. In this way, you may charter your vehicles to your tour company without having to make license amendments as required for a Sightseeing License.

If you already have a Motor Carrier License and want to make changes to any of the items identified above, you will need to apply for an amendment to your license, and this will have to go through the same process as the permanent license. If you are just replacing one vehicle with another of the same size, then you do not need an amendment but if you want to add vehicles, change your prices, or pick up passengers from a different location than is incorporated in your permanent license, then you will need an amendment.

Whether you are applying for a Motor Carrier License or a Commercial Van License, your insurance company will have to complete a Motor Carrier Certificate of Insurance, indicating the carrier of the insurance on your vehicles and the limit of coverage in accordance with the Act and Regulations, and forward it to the Utility and Review Board in order for you to receive your license. In early 2005, insurance requirements for vehicles transporting 20 passengers or less are $1 million in third party liability coverage, as well as $2 million in passenger liability & property damage; while vehicles carrying 21 passengers or more must have $1 million in third party liability and $3 million passenger liability & property damage coverage. It is advised that you contact the NS Utility and Review Board, or check their website, www.nsuarb.ca, as this information is subject to change.

As well, your vehicles will have to be inspected prior to business start up and every six months thereafter. The inspection covers mechanical and body issues, cleanliness (interior and exterior), and the delivery of service. You will have to have the license renewed on an annual basis, but this is routine (plate renewal) unless you want to make changes.

If you want to take a tour out of the province, you will need another license - an Extra Provincial License - and you may also need approvals from the other provinces in which you intend to operate. You also have to apply to abandon your license, should you decide to stop operating. With the exception of Regularly Scheduled Service, this is a fairly routine matter.

Given the complexities of obtaining Motor Carrier and Commercial Van Licenses, you should not make any financial commitments to your business (e.g. purchasing vehicles, buildings, etc.) until you have obtained your required License and/or Extra-Provincial license.

Contact the Motor Carrier (Public Passenger) Division of the Nova Scotia Utility and Review Board for further information pertaining to these licenses at (902) 424-3588, or visit them online at www.nsuarb.ca.

9.2 Other Regulations

License to Sell Travel Insurance

Many tour operators provide an extra service to their passengers by offering travel insurance to cover such things as trip cancellation or interruption for a medical reason, or baggage loss.

However, in order to sell travel insurance to your passengers, you are required by law to hold an insurance license issued by the Licensing Section of the Nova Scotia Department of Environment and Labour. For a tour operator, two licenses are required: one for the business itself (insurance Agency License) and one for the agent in charge, usually the owner (Insurance Agent License). The licenses are valid for 3 years and can be renewed. There are a number of requirements that must be met, including a pre-licensing examination for the Insurance Agent License. Additional licenses are required for employees selling travel insurance. Contact the Financial Institutions Division of the Department of Environment and Labour for application information, (902) 424-5613 or online at www.gov.ns.ca/enla/fin/fininst.htm .

Note that your company must be registered with Joint Stocks before insurance licenses will be issued.

License to Sell Airline Tickets

If you are going to sell airline tickets, you must be a Travel Agent with an accreditation from the International Air Transport Association (IATA), the association of major airlines. To get an appointment, you will need a minimum of two staff members (one of whom is designated as the manager) who meet the IATA requirements for previous work experience. This work experience must have been acquired through an IATA or Air Transport Association of Canada (ATAC) member airline or travel agency. In addition, you will need to meet certain financial requirements, including posting a bond to protect the funds owed to airlines in the event of your business failing. COntact IATA through www.iata.org for details on their requirements.

Nova Scotia Department of Environment and Labour

The Department of Environment and Labour is responsible for occupational health and safety, public safety, labour standards, as well as the Office of the Fire Marshal. The Department also administers acts and regulations pertaining to elevators and amusement devices. Specific regulations that would pertain to a receptive tour operator business include:

- Occupational Health and Safety Act that requires employers to adhere to operational and employee safety standards. A brief overview of this Act and the implications for business operations is provided below.

- Labour standards with respect to minimum wage, employee/employer rights, etc. A Fact Sheet providing general information on the Labour Standards Code is published on the Internet at www.gov.ns.ca/enla/labstand/lstcode/ or you can contact the Labour Standards Division of the Department for more information.

- The Pay Equity Act is administered through the Labour Services Division of the Department of Environment and Labour. Pay equity means equal pay for work of equal value and is a concept that bases wages on the value of work performed, regardless of whether a man or woman is doing the job.

- Indoor Air Quality Regulations;

- First Aid Regulations. There is a Guide to First Aid Regulations available at www.gov.ns.ca/enla/ohs/FirstAidGuide.pdf

- Workplace Hazardous Materials Information [WHMIS] Regulations. A guide to these regulations is available through the Environment and Labour website, Publications section, under Public Safety and Occupational Health and Safety. Note that the Nova Scotia Tourism Human Resource Council offers customized WHMIS training programs for the tourism sector. Check their website at www.tourismhrc.com for details.

The Nova Scotia Occupational Health and Safety Act

The current Occupational Health and Safety Act became law in 1997, with some significant implications for businesses in Nova Scotia. The Act is comprised of some key elements as described below. It is administered by the Occupational Health and Safety Division, Department of Environment and Labour - information, including a "How to Guide" can be found at www.gov.ns.ca/enla/ohs/

The Internal Responsibility System concept is the foundation of the Act and, simply stated, places the responsibility of workplace safety on all workplace parties. Workplace parties are defined as anyone connected with a particular workplace, including Employers, Contractors, Constructors, Employees, the Self-Employed, as well as Owners, Suppliers, Architects, Engineers, and Occupational Health and Safety Consultants. The Act states in some detail what the responsibilities (i.e. duties and precautions) of all workplace parties are.

The Act also provides employees with three basic rights. These are:

- The Right to Know - each employee is entitled to information on issues that affect the health and safety of the employee or that of another person in the workplace;
- The Right to Refuse - employees have the right to refuse unsafe or unhealthy work;
- The Right to Participate - employees can participate on health and safety committees or be an Occupational Health and Safety Representative, report unsafe conditions, and voice their concerns or opinions on any issue that affects their health and safety, or that of the workplace.

The Act states that a business employing five or more people on a regular basis is required to prepare a written Occupational Health and Safety Policy indicating that the employer is committed to occupational health and safety, and that the employer will co-operate with employees in striving to meet the goal of a safer and healthier workplace.

A business employing twenty or more people on a regular basis is required to establish and maintain a written Occupational Health and Safety Program including provisions for:

- The training and supervision of employees;
- The preparation of written work procedures relative to health and safety;
- The establishment of a Joint Occupational Health and Safety Committee or selection of a Health and Safety Representative, where one is required;
- The establishment of a hazard identification program and an accident/incident investigation system;
- The maintenance of records and statistics;
- The monitoring of the implementation and effectiveness of the program.

It is recommended that you obtain a copy of the Occupational Health and Safety Act and any other regulations that may pertain to you.

Competition Act

Under the Competition Act, it is a criminal offence to engage in certain kinds of deceptive marketing practices, including inflating regular price, and conducting misleading or false advertising. The act applies to all businesses in Canada and is enforced by the Competition Bureau of Industry Canada.

9.3 Personal Information Protection and Electronic Documents Act

In January 2004, the federal government implemented the Personal Information Protection and Electronic Documents Act (PIPED). This piece of legislation is applicable to all organizations, including all private sector businesses and outlines the responsibilities of an organization relating to personal information collected and stored through the course of normal business activities.

The primary purpose of the Act is to ensure that the privacy of individual consumers is respected in that any personal information, including that relating to age, name, income, social status and credit records; is used for legitimate commercial purposes only and is stored or maintained in a secure fashion.

Following is a basic overview of PIPED:

- If your business wants to collect, use or disclose personal information about people, you need their consent, except in a few specific and limited circumstances.
- You can use or disclose people's personal information only for the purpose for which they gave consent.
- Even with consent, you have to limit collection, use and disclosure to purposes that a reasonable person would consider appropriate under the circumstances.
- Individuals have the right to see the personal information that your business holds about them, and to correct any inaccuracies.
- There's oversight, through the Privacy Commissioner of Canada, to ensure that the law is respected, and redress if people's rights are violated.

It is recommended that organizations develop in-house policies and procedures relating to the retention of personal information. Many businesses have now taken steps to include their privacy policy in their company literature and have it prominently displayed on company brochures, websites, etc.

The Office of the Privacy Commissioner has an online guide to PIPED and a number of fact sheets for businesses available through their website, which can be viewed at http://www.privcom.gc.ca; or by contacting the Office of the Privacy Commissioner of Canada at 1-800-282-1376.

9.4 Insurance

The question of insurance is very important for the tour operator business. The various types of insurance you should be aware of are discussed below.

Vehicle Insurance

Vehicle insurance covers you in the event of bodily injury and/or property damage resulting from an accident. Normally, a vehicle's insurance is based on the make and model of the vehicle and the vehicle's value.

If you own your own tour vehicles, such as motorcoaches, you are required by law to hold valid vehicle insurance. This type of insurance is the same as that required for all types of automotive vehicles and is enforced by the Registry of Motor Vehicles. If you don't own your own motorcoaches or other vehicles, but rather charter them, you are not responsible for the vehicle insurance - the company from which you charter is.

General Liability Insurance

General Liability coverage is insurance for claims against your business for bodily injury and/or property damage that may arise out of your tour operations and for which you are legally obligated to pay.

Professional Liability Insurance

Also known as Errors & Omissions or Malpractice insurance, Professional Liability Insurance protects your company from claims arising out of a negligent act or an error of omission in the professional service given by your company and/or your employees.

While tour operators and receptive operators are not required to hold professional liability insurance, it is strongly recommended in order to protect yourself and your company from financial loss.

All types of tour operators should hold professional liability insurance, regardless of whether they operate the tours themselves, charter coaches and other vehicles from carriers, or simply offer a step-on guide service. Although your vendors may have their own insurance coverage, your company could be held liable in the event of a claim.

For instance, if an accident occurs on a motorcoach tour, your company could be held liable for failing to investigate the accident record of the motorcoach company. As well, you may be liable for damages in excess of the motorcoach company's liability if they are inadequately insured.

In addition, if you don't have insurance, you would have to pay legal council to defend your company's position as well as sue the carrier for compensation. Liability insurance is, therefore, considered a must in the industry. In fact, in order to be a member of the National Tour Association (NTA), a travel industry membership organization for tour operators and suppliers, tour operators are required to hold Professional Liability insurance. Insurance protection will cover you for the liability of tour vehicles you own, as well as non-owned or hired vehicles you charter, such as motorcoaches.

While your local insurance company may be able to offer general liability insurance, they are not normally able to offer the comprehensive professional liability coverage that is needed by tour operators. Look into joining a large trade organization, such as NTA, which can offer group insurance packages more geared to your particular needs.

Generally, professional liability and general liability insurance are issued at a fixed premium per year, based on a number of factors including the volume of business you conduct, the passenger capacity of your vehicles, and other factors such as the number of trips run per day and the mileage of trips where the vehicle is deadheaded[6].

Travel Insurance

Offering travel insurance to passengers is an effective way to limit liability and deter small nuisance suits. Passengers holding travel insurance are far less likely to sue the tour operator for damages when they are already covered by their travel insurance. As well, offering your customers travel insurance is a good way to strengthen your position in court should a liability issue arise.

Disclaimer

Another method of limiting tour operator liability is to publish a disclaimer on your tour brochures, invoices, and itineraries. A disclaimer, which should be fair and equitable to consumers in order to be recognized by the courts, is a clause used to notify consumers that your company is a travel intermediary involved in handling travel arrangements of other suppliers, and is, therefore, not liable for the acts of suppliers (e.g. hotels, restaurants), which are out of its control. If this disclaimer is not made, you may be made liable for the acts of your suppliers.

The clause cannot disclaim liability for your own company's negligence. You should get legal advice in preparing the disclaimer.

9.5 Taxes

Harmonized Sales Tax

The Harmonized Sales Tax (HST) is a 15% value-added tax which replaced the former retail sales tax and GST in Nova Scotia. All receptive tour operators are required to register for and collect the HST on tour products and services if their total sales revenues are in excess of $30,000 in a 12 month period. The HST is in place in Nova Scotia, Newfoundland and Labrador and New Brunswick; all other provinces have the GST.

---

[6] Dead-heading occurs when you send an empty vehicle ahead to the point where the tour originates, or return it empty. While the vehicle is dead-headed, it does not carry any passengers and insurance companies offer lower rates for these periods. Usually tour operators that dead-head maintain daily log-books that are, in turn, submitted to the insurance company for year-end adjustment.

As a tour operator, you pay HST or GST when you buy individual travel services - airline seats, hotel rooms, attractions - and charge HST or GST on the tour packages and services you sell to consumers. The HST/GST you pay out is called an input tax credit; you can claim input tax credits to recover the HST/GST you were charged on the cost of these individual travel services. For example, when you purchase hotel accommodation to resell as part of a tour package, you can recover the 15% HST or 7% GST you paid on the accommodation by claiming an input tax credit on your HST/GST return.

When you register for the HST/GST you are given a reporting schedule to follow for your HST/GST returns, depending on the volume of your tour business. When you complete your return, you deduct all your input tax credits from the HST or GST you charged on your tour sales. You are required to remit the difference if the HST or GST you collect is more than your credits; if your credits exceed your payables, you claim a HST/GST refund.

For tour operators, goods and services that are HST/GST taxable include:

- Travel agents' commissions;
- Domestic tour packages;
- Domestic transportation by bus, train, ship, or aircraft;
- Hotel and other accommodation;
- Car rentals;
- Ticket cancellation fees;
- Restaurant meals;
- Admissions to attractions.

The type of tax that applies (i.e., HST or GST) to these elements depends upon the province in which the goods and services were purchased in.

Goods and services that are zero-rated for tour operators (things that are subject to the HST/GST but at a rate of zero or in effect no tax) include international travel (e.g. air travel from Europe to Nova Scotia).

Goods and services that are completely exempt from the HST/GST include:

- Municipal transit services;
- Ferries transporting passengers and motor vehicles;
- Highway/bridge tolls;
- Most health, medical, banking, and insurance services;
- Commissions paid by insurance companies.

If you operate a small tour business which earns annual sales revenues under $30,000, you are not required to charge HST/GST. However, you may wish to voluntarily register for and collect the HST/GST. The advantage of doing this is that you can claim a credit (called an input tax credit) to recover the HST/GST you paid for expenses and purchases used for the business.

If you need to collect HST/GST, you must first register for the HST/HST with Revenue Canada. Contact the Business Window at your local Tax Services Office of Revenue Canada for further information including the Tour Operator Guide and a GST/HST registration form.

Contact Canada Revenue Agency either in person, via phone (1-800-959-5525), by mail or through the on-line business registry at www. bsa.cbsc.org/gol/bsa/site.nsf/en/index.html and follow the appropriate links for an HST Registration Form and a copy of the Tour Operator Guide.

HST Rebates for Nonresident Visitors

HST/GST may be rebated to nonresident (i.e., non-Canadian) visitors and tour operators with nonresident tour passengers purchasing your tour services. Nonresidents are only eligible for rebates on 50% of the HST/GST paid on the total price of the tour package.

Employment Taxes

As an employer, you are responsible for deducting income tax, Canada Pension Plan (CPP) contributions, and Employment Insurance (EI) premiums from the wages and salaries you pay your employees. You are also responsible for remitting these amounts on a monthly basis to the Receiver General for Canada, along with your share of CPP contributions and EI premiums that you pay throughout the year on your employees' behalf. You are also required to report these amounts on an annual information return and prepare annual T4 information slips for your employees.

The Canada Revenue Agency is responsible for ensuring these requirements are met. The department handles enforcement and some collection activities related to payroll deductions, prepares the Payroll Deduction Tables used by employers for calculating deductions, and determines employee insurable earnings for Employment Insurance and pensionable employment for the Canada Pension Plan.

Contact your local Canada Revenue Agency office for more information and a New Employer kit.

Nova Scotia Workers' Compensation

Under the Nova Scotia Workers' Compensation Act, various industries are mandated to pay for compensation coverage to protect employees from income loss and medical expenses resulting from job-related injuries. Under the Act, you are required to pay a premium based on the dollar value of wages you pay your employees, unless you employ fewer than three employees. (If you employ three employees or less, you are exempt from this regulation.)

Contact the Nova Scotia Workers' Compensation Board (www.wcb.ns.ca)for additional information regarding the regulations, specific premiums applicable to you and a copy of the registration form.

Corporate Income Tax

Corporations

If your business is federally or provincially incorporated, you must file a corporate income tax return. This requirement also applies to incorporated not-for-profit organizations; the only exception is a Registered Charity.

Be sure to file your corporate income tax return within six months of the end of the taxation year. The taxation year of a corporation coincides with its fiscal year. The services of an accountant are recommended in completing your income tax return as financial statements are required to be attached to the T-2 Corporate Return. You can obtain a copy of the T2 Corporation Income Tax Guide and schedules from the Canada Revenue Agency (CRA).

Corporations are required to pay monthly installments to cover Corporation Income Tax in the 2nd year of operation and all following years if their federal taxes exceed $1,000.

Sole Proprietorships and Partnerships

The income from a sole proprietorship or partnership is accounted for on the personal income tax of the individual proprietor or partner. Your taxable income is essentially your business income minus any eligible business deductions. A separate Partnership return is required if there are more than five partners in the partnership.

For additional information or Income Tax forms, check the Business Section of CRA's website (www.cra-arc.gc.ca) or contact them by phone at 1-800-595-5525.

Business Occupancy Tax

Occupancy tax is an annual municipal tax that is administered and collected by your local municipality. The tax is charged on nearly all commercial buildings in Nova Scotia, and is applied at a fixed percentage based on the assessed value of a building, taking into consideration the commercial value of the building (based on the value of the building and its rent per square foot), and the assessment rate which applies to a particular type of business. The provincial Assessment Division (Service Nova Scotia and Municipal Relations) is responsible for determining the assessment value of your property for occupancy tax purposes.

There are plans to introduce legislation in the Spring of 2005 to eliminate the Business Occupancy Tax in Nova Scotia.

Contact your municipal tax office or the Assessment Division of Service Nova Scotia and Municipal Relations with enquiries regarding occupancy tax.

9.6 Registration of Companies

Provincial Business Registration

All business owners are required to register the name of their business, although the manner of doing this varies depending on the type of business structure established. Appendix IV provides comments on the different types of business structures and the advantages and disadvantages of each. The Nova Scotia Business Registry is now available on line at www.gov.ns.ca/snsmr/nsbr/

Partnerships and Sole Proprietorships

The Partnership and Business Names Registration Act, administered by the Nova Scotia Registry of Joint Stock Companies, requires the registration of sole proprietorships and partnerships in the province.

If a partnership has two or more partners, the partnership must appoint a recognized agent who is a resident of Nova Scotia. One of the partners may be the agent.

An annual registration fee is charged. The registration year runs from April 1 to the following March 31. In addition, there is a charge for conducting a NUANS (Newly Updated Automated Name Search) to verify that your business name is not already being used by another business in Atlantic Canada. A NUANS search may be ordered through the Registry of Joint Stock Companies, Access Nova Scotia, or a private research house.

The registered name of the partnership or sole proprietorship will be protected and no identical or similar name will be permitted in Nova Scotia.

For further information, contact the Registry of Joint Stock Companies at www.gov.ns.ca/snsmr/rjsc .

Corporations

Corporations are required to be registered in Nova Scotia under the Corporations Registration Act. If you wish to establish a Nova Scotia corporation, the first step is to request a NUANS of your corporate name to verify that it is not already being used in Atlantic Canada. A fee is required for each NUANS request. Incorporated companies are required to include the corporate designation Limited or Incorporated as the last word in the business name.

Once your business name and incorporation has been approved, you are required to pay an annual fee to register the business in Nova Scotia. The registered name of your corporation will be protected and no identical or similar name will be permitted in Nova Scotia. Every incorporated business must appoint a recognized agent who is the person that receives official correspondence. This Agent does not have to be a lawyer but he/she must reside in Nova Scotia.

All business registrations can be completed on line through the Nova Scotia Business Registry (www.gov.ns.ca/snsmr/nsbr), via phone (1-800-225-8227) or in person at any Access Nova Scotia location.

You would be well advised to also register your business in any other provinces in which you are doing business, particularly if you are not a federally incorporated company. In so doing, you will register your business name in these provinces and thereby prevent some other business from using the same name.

Federal Business Registration

Partnerships and Sole Proprietorships

There is no registration for partnerships or sole proprietorships at the federal level. Businesses wishing to operate in more than one province must be provincially registered in each province in which they wish to conduct business.

Canada Corporations

If you are considering incorporation, you have the option of being incorporated at the Federal level under the Canada Business Corporations Act (CBCA). This replaces the need for provincial incorporation.

Federal incorporation is often chosen for the heightened name protection it provides and may be particularly useful to you if you plan to carry on business in more than one province. Location flexibility is another advantage of federal incorporation. For example, the CBCA does not set restrictions regarding the province where your head office is located. However, you may still be required to register with provinces where extra-provincial operations will be carried out. For Nova Scotia, this can be done at the same time as your Federal incorporation is completed on-line.

As with provincial corporate registration, you are required to have a name search conducted (NUANS) and pay an annual corporate registration fee. Your business must be registered to do business in Nova Scotia, even if it is a federal corporation.

Contact Corporations Canada (www.corporationscanada.ic.gc.ca), or the Canada/Nova Scotia Business Service Centre for incorporation and registration information.

Business Number Registration

The federal government business numbering system, or BN, is a numbering system designed to simplify the way businesses deal with government. When you start a business and open one or more Canada Revenue Agency (CRA) business accounts (e.g. corporate income tax account, payroll deductions account, or harmonized sales tax /goods and services tax (HST/GST) account), you will automatically be assigned a unique Business Number which identifies you and the various accounts you have. This streamlined system allots you one number only with which to deal with the federal government, replacing the multiple numbers that businesses required in the past. You can register for a BN on line at www.cra-rc.gc.ca/business .

Businesses that register for the BN will obtain one-stop business services from the Canada Revenue Agency, including new business registration, adding new accounts, updating account information, and account enquiries.

In most cases, new corporations will automatically receive a BN from CRA within 45 days of incorporating at the federal or provincial level. Contact Revenue Canada if you need to have a Business Number issued to you before this time.

Contact the Canada Revenue Agency for a copy of the registration application form and guide or register on line. You may also register by phone, in person, by mail, or by fax.. (If you are a corporation, your company must be registered and you must also provide a copy of your Certificate of Incorporation to be registered for a Business Number.)

SECTION 10

Operations

SECTION 10

OPERATIONS

You have so far developed a concept and a strategic plan for the business, assessed its feasibility, planned the product - based on a full appreciation of the marketplace and the competition - and established the business entity. This section presents suggestions and guidelines for starting and operating the business.

10.1 Organization and Staffing

You need to figure out your management and staffing requirements. Keep the management team small initially, you can always add more people if you really need them, but it is much harder to downsize if you have too many. The areas of operation that will have to be covered include:

- General management: banking, planning, budgeting, overall supervision of each area of operation below;
- Product development: package development, supplier negotiations;
- Marketing: web site, advertising, sales, group sales, promotions, co-op and contra activities, market research;
- Sales administration: liaison with tour and group clients, reservations, issuing documents, billings;
- Financial control and accounting: bookkeeping, management reports, tax remittances, payroll, collections, purchasing;
- Personnel: staff hiring, training;
- Tour operations: staff scheduling, supervision, quality control, problem solving, liaison with facilities and services involved in tour services, equipment cleaning, and maintenance.

Larger operations may have departments for each of these activities. Small ones will combine them. For example, the general manager/owner and an assistant might supervise all areas directly, with individual employees hired for sales and handling group client liaison, office administration and bookkeeping, tour operations, and personnel.

Other than administrative functions, the main requirements for operations staff in a tour operation are for a tour director/tour escort/tour guide (choose the name you prefer), and for reservations staff. In addition, you may employ step-on guides for group tours, meet-and-greet staff to supervise arrivals and departures of guests, and special guides or experts to guide or assist with specialized activities and topics.

The skills and knowledge of these front line staff people, as well as their ability to provide quality service to your guests, will have a large impact on your company's credibility and reputation in general. Because guests have high expectations about the knowledge tour guides have, it is essential that your staff are seen to be knowledgeable and skilled professionals with a strong service orientation.

Selecting Staff

The staff you place in positions that deal directly with customers need to have the following qualifications:

- An outgoing, friendly personality;
- Good manners and interpersonal skills;
- Good grooming;
- An enthusiastic attitude;
- A good (diligent) work ethic;
- A high level of education;
- A commitment to customer service;
- Travel experience and knowledge;
- Tour destination product knowledge.

The last three can be enhanced through training, but the other aptitudes have to be in place already. Good customer service employees can make your business's reputation; poor ones will ruin it.

Benefits of Training

It is important to recognize the benefits of staff training and to consider training, like marketing, as an investment. Ensuring that your staff are quality service providers who are capable of delivering both the procedural and personal sides of service will enhance repeat business and promote word-of-mouth advertising. The benefits of training in a tour operation are as follows:

- Increases productivity;
- Reduces staff turnover;
- Improves staff morale;
- Improves quality of performance;
- Enhances clients' experiences;
- Provides competitive edge.

Occupational standards for Local Tour Guides, Tour Operator, Tour Guide/Director and Reservation Sales Agent are now available in Nova Scotia and across Canada. The standards outline the skills, knowledge, and attitudinal requirements for these staff members. A professional certification process based on these standards of competency is available through the provincial tourism association office. For more information on standards and certification, contact the Nova Scotia Tourism Human Resource Council at www.tourismhrc.com

Having certified employees will boost the image of your receptive tour company.

Hiring Tips

The following is a list of hiring tips that can be applied to staffing at the start-up phase or in hiring seasonal or replacement staff:

- Develop job descriptions that meet the needs of your operation, based on the occupational standards for each occupation.

- Advertise in local media for staff; check out the Nova Scotia Tourism Human Resource Council on-line job board (www.novascotiatourismtalent.com), contact the nearest Human Resources Centre of Canada; contact placement offices of public or private training institutions offering programs in tourism or hospitality; post notices on local community bulletin boards. To the extent possible, look for applicants who are Certified under the emerit Standards and Certification program described in the next section.

- Screen applications and develop a short list of qualified candidates for interviewing.

- Interview applicants. It is recommended that the same questions be asked to all applicants and that consistent criteria be used in your evaluation. This will help you make sound hiring decisions.

- Select final candidates for the positions required. Ask for and always check references. The middle of the season is no time to discover that an earlier employer has already noticed that one of your staff members is a poor performer.

- Make the job offer. At this time clarify roles and responsibilities, training opportunities for staff, performance expectations, remuneration and benefits, terms of employment for the season, etc.

10.2 emerit Standards and Certification

Nova Scotia's Tourism Human Resource Council is a partner with the Canadian Tourism Human Resource Council in the development of National Occupational Standards and manages the process for Nova Scotia. Standards and Certification are being developed for occupations in all sectors of the tourism industry, and standards currently exist for 49 occupations. Certification is available for 25 of these occupations.

Standards are statements outlining the attitude, knowledge and skills required of an individual in order to be considered competent in an occupation. Standards clarify expectations and can be used to design consistent training, education and professional development programs. The Standards development process involves the sharing of expertise from industry professionals who perform the job, as well as their supervisors who are recruited to develop the content of the Standards.

Certification is the recognition of an individual's competency in his or her occupation. National Certification is a three-step process involving a written examination, performance review and industry evaluation. It is voluntary, candidate driven and designed to be completed on the job. Professionals who achieve National Certification will be recognized across the country for meeting industry requirements in their selected occupation. The candidate must be employed in the occupation and must have achieved a minimum number of hours of work experience (the number of hours varies depending on the occupation), prior to completing Certification.

Flexible learning options for the industry now allow new entrants to gain a solid foundation while experienced and knowledgeable candidates can challenge the option that best suits their needs. What each candidate learns is credited towards future learning - creating recognition of prior learning and allowing candidates to move towards the pinnacle - emerit National Certification - at their own pace.

Learners can select the best option for them:

- Standards/Workbook study
- Online Learning
- Study selected modules to enhance performance of specific skills
- Challenge full certification

The development of Standards and the implementation of Certification is having various positive impacts on the tourism industry, as follows:

- Enhancing the image of tourism occupations;
- Enhancing human resource management skills in the tourism industry;
- Providing practical, realistic training programs for tourism occupations;
- Raising the overall level of professionalism in the industry.

More details on Standards and Certification, and a listing of the occupations for which standards have been developed can be found at www.emerit.ca and in Appendix VI. Additional information on human resource tools and certification can be obtained from the Nova Scotia Tourism Human Resource Council.

10.3 Training

In any guest-oriented operation, there are two sides to service: procedural, requiring technical skills and training, and personal, requiring human relations skills. Training should be based on the occupational performance standards and Certification should be a goal for all employees. Research on the tourism industry in Nova Scotia has shown that hospitality management and staff place a high value on training in areas related to interpersonal skills, guest service and communications.

It is important to recognize the benefits of training so that staff will be able to meet your standards of service. The specific benefits of staff training are:

- Increased skills and knowledge;
- Increased success in performing job functions;
- Improved attitude, self-esteem and morale;
- Better service, higher productivity, and lower turnover;
- Increased guest satisfaction.

Staff Training

Your primary staffing requirements as an inbound/receptive operator will be for tour guides and reservations agents.

Seasonal staff training can take the form of on-the-job training or job shadowing, or formal training on or off site. You may wish to combine the two. Experienced staff will benefit from spring training, and a good orientation is a priority for all staff at the beginning of the season.

Staff meetings can be difficult to organize in the height of the season, but even short communications meetings with staff at the beginning and throughout the season are conducive to a smooth running tour operation.

Guest service programs (one or two day) have been shown to be beneficial to staff; and holding a pre-season seminar on guest service will help motivate staff as they prepare for the busy season. SuperHost Atlantic - Expect Excellence! is a frontline program offered throughout the province.

SuperHost Atlantic - Expect Excellence! is an internationally recognized Quality Customer Service Training Program that focuses on communication and customer service. This seven hour interactive workshop examines attitudes to service and interactions with customers. The program is suitable for any business that deals with customers and is an inspiration for commitment to service excellence. Information on SuperHost can be accessed through the Nova Scotia Tourism Human Resource Council (www.tourismhrc.com). The NSTHRC also offers a number of other customer service training programs including Service 1st - Making the Connection!, Team Excellence, Stress Management, Workplace Etiquette, Sales Powered by Service and Managing Service Excellence, as well as a host of other programs.

You can also develop and deliver your own training sessions or hire an outside person or organization to do it for you. Training resource materials can be found through your regional tourism association or the Tourism Human Resource Council.

Most training for new personnel in a tour operation is carried out on the job, starting with an orientation. The orientation should include the following components:

- Provide information about the company, e.g. mission statement, organizational structure, policies and procedures;
- Tour office facilities, working areas;
- Introduce new staff to co-workers;
- Complete employment documentation.

The Local Tour Guide, Tour Guide/Director and Reservation Sales Agent standards that have been validated outline the skill and knowledge areas for achieving competency in the occupation. In-house training can be developed using the standards as guidelines. The standards can also be used to develop job descriptions and policies specific to your tour operation.

Training Tips

- During training exercises, your staff should be made aware of the necessity for providing accurate information and always improving their presentation skills.

- Job shadowing with an experienced tour guide is an effective way for new staff to understand the requirements of the job as well as your expectations, e.g. the company approach to guiding.

- Familiarization or product-knowledge tours focusing on the areas covered by your tours can be done in groups prior to the season's start up. All staff should participate in this type of exercise so that they will all be familiar with new tourism products and services.

- Encourage staff to use humour and local anecdotes during tour presentations. Guests want to experience the culture and flavour of the province, region or local area. Tasteful jokes, history, and legends add variety to a guide's commentary.

Product Expertise

Both your tour guides and your reservations agents need detailed product expertise, with tour guides needing much more in-depth knowledge.

Product expertise means the ability to access accurate information for use during the tour or in answering enquiries from potential customers and tour guests. The commentary used during a tour includes the presentation of facts and information pertinent to the tour itself. The Personal File of each staff member should include a variety of data that will enable them to answer pertinent questions on local people and culture, local events, and other points of interest.

The basics of the personal file can be developed by you, the tour operator, and provided to each of your guides. This ensures that consistent information is provided to guests from all company representatives.

There is no way of being prepared for every enquiry that guests may have, but there are a number of types of information that are required for any type of tour. They include:

- Company information, company history, services provided;
- Location, hours of operation, access and applicable costs of community services, events and attractions;
- Natural environment information;
- Government structure;
- Housing;
- Consumer taxes;
- Health benefits;
- Lottery/gambling information;
- Metric conversion, e.g temperatures (Celsius to Fahrenheit), distance (kilometres to miles), gas prices (litres to gallons);
- Population;
- Foreign exchange rates;
- Local industry and economy;
- Local legislation and regulations, e.g. liquor, traffic, customs;
- Cultural/ethnic influences, for example: aboriginal, European, African-background, current make up;
- Past and contemporary distinctive local people, colourful characters;
- Architecture;
- Mythology, legends, folklore;
- Transportation modes and their history;
- History and events of significance.

Management Training

The success of your business will be related directly to your skills, not only the specific skills you need to develop and operate your business, but also your skill at servicing your customers and managing your staff. Exhibit 1 in Section 3 identified some of the basic management skills required for a successful receptive/inbound tour operator. Since it is quite likely that you will be the primary, if not the only, manager for the first year or so, you will need to have and/or develop these skills. Training programs to assist you in developing these skills can be found through the various locations of the Nova Scotia Community College and programs available at the universities in the province. Mount St. Vincent University in Halifax and Cape Breton offer programs in hospitality management.

Standards are also available for a Tourism Small Business Operator and you should consult these in determining the types of skills and training that are required to operate a small tourism business.

10.4 Reservations and Sales Administration

A reservations system is an essential element of an inbound/receptive tour operator's business.

There are affordable software systems for all sizes of businesses that do this and link the reservations system into your group billings system, which is very helpful. Ideally, you should have this type of an integrated management system that includes customer information, market tracking data, and financial information on transactions. With today's reasonably priced computers and affordable software systems, it is essential that you acquire a system for this.

Systems for one user can be obtained for as low as $2,500, but you could pay $25,000 or more for a system from one of the more established providers, so you will want to research this carefully when establishing your business.

Sales administration activities include the following activities:

- Answering enquiries, sending out literature on request;
- Reservations;
- Custom arrangements;
- Billings - deposits, payment of final balances;
- Group sales administration;
- Issuing documents to customers;
- Issuing confirmations to suppliers;
- Collections.

Your system should be designed to handle all of these activities and they should all be interactive. In other words, a reservation should automatically trigger a billing for deposit and final payment; a final payment should trigger the issuance of documents, etc.

10.5 Product Development and Management

Section 6.7 presented suggestions on the how to's of product development and management.

10.6 Marketing Management

Section 11 presents information on marketing planning and management.

10.7 Financial Administration

A unique feature of the tour business is that a tour company receives advance payments from its customers but pays suppliers after the package operates. As a result, substantial sums of cash from prepayments will be on hand for short periods of time. It can be very worthwhile to invest these sums in short-term securities and earn interest income. In fact, some tour operators make a significant part of their income on short-term deposits.

Get some advice on short-term investment techniques and have a senior person in your operation administer the investment program. It should receive attention daily.

10.8 Program Review

In any business, it is important to monitor and review your product periodically, but in the tour business it is vital.

We have already talked about having periodic de-briefing sessions with your travel trade partners and your supplier partners, and in the material to follow we discuss means of getting feedback from your customers, as well as additional means of getting feedback from the travel trade.

Equally, if not more important, is your internal review process. It should consist of the following types of initiatives:

- Reports from tour guides on the results of each package departure: detailing problems, solutions employed, suggestions for improvements, etc.;
- Management reports on administrative problems with tour operators and suppliers;
- Financial reports on each package program: detailing revenues, costs, and margins earned.

10.9 Customer Research

It is important for you to continually monitor your customers' satisfaction with the products and services you are providing them. This is true both if you are selling direct to the consumer and also if you are selling your services to the travel trade. Some suggestions for customer research are outlined below.

Customer Surveys

You can survey your customers while they are on your tour or after they have left. Options include:

- Informal interviews by tour guides with customers while they are on tour;
- Questionnaires can be completed by guests before they leave or they can be given to guests to be mailed back (it is a good idea to give them pre-stamped envelopes so they can mail them back without the tour guide seeing them), or emailed or mailed out later;
- Comment cards can be used in the same way as questionnaires but are only useful if you are looking for a minimal amount of information;
- Telephone interviews are useful if you have phone numbers for your guests, you can call them up and complete a telephone interview afterwards;
- Focus groups are short discussions with small groups of your customers.; this type of research requires a professional moderator or discussion leader.

You should also talk to the travel agents selling the product about the comments they are getting back from the consumers.

Travel Trade

You should be in regular contact with your travel trade partners to ensure they are satisfied with the product and the services you are providing. They will be surveying their customers on a regular basis as well, so they will also be able to provide you with feedback from their research. Particular topics to address with your travel trade partners, on an annual basis at least, should include:

- Any problems they encounter on your tours (in fact, you should be monitoring this on a regular basis, see the discussion in Section 7);
- Suggestions they have for improvements/additions to the tour;
- Their expectations about the volumes of business they will generate for your tours in the next year or two (this will help in negotiations with your suppliers).

10.10 Business Systems

Other than sales administration, the administrative requirements of a receptive tour business are much like those of any other business. They involve bookkeeping, accounting, payroll, HST administration, payables, receivables, etc.

Your accountant can help get you started in each of these areas. Software programs are available for each of these requirements.

10.11 Banking

Talk to several different banks in order to find one that is supportive of your efforts. Some managers take a helpful approach to small business people, while others treat them like impending bankrupts. Pick one that understands your business concept and is supportive of it.

You can greatly facilitate your banking relationship by meeting with the manager once a year to keep him or her informed about your business and your plans for the future. A good time is when you have your new annual financial statement ready. Walk them through the results and explain what has changed and why. While they may not necessarily care about the specifics of what you're saying, it is very important that they see that you're on top of the business, committed to its future, etc. The psychology is just as important as the substance. Bankers to feel that you're taking care of their investment for them.

If cash flow problems arise from time to time, go and meet with the bank to keep them informed about what's happening and what you're doing about it. Nothing makes a banker more nervous than a silent client whose bank account is constantly at its credit limit. On the other hand, if they believe you're making an effort to keep them informed, they will be much more cooperative in helping you through tricky periods.

SECTION 11

The Marketing Plan

SECTION 11

THE MARKETING PLAN[7]

11.1 Introduction

Your marketing plan is a guide for directing your marketing efforts and a tool for monitoring the progress you are achieving. It is generally written annually. Traditionally, the marketing plan is prepared in conjunction with your overall financial planning and budgeting.

When you are starting up your business, the marketing plan is a crucial element in your overall planning process - without marketing, you will have no customers. Frequently in small businesses, marketing tends to get overlooked or to be given a lower priority when there are other, apparently more vital, demands for available start-up funds. However, marketing must be given a high priority; and developing a good marketing plan is an essential first step.

This section discusses the basics of how to develop your marketing plan and introduces some of the key marketing methods and tools. It also suggests how to use these techniques, when dealing with consumer markets and the travel trade. We will deal only with marketing to tour operators. Promoting packages to travel agents and consumers, the job of the outbound tour operator, is not dealt with.

Developing a Marketing Plan

Your marketing plan should contain several elements, as described below.

Business Assessment

An assessment of your situation - the current status of the market, the competitive environment, trends - including all of the things discussed earlier in sections on preparing a strategic plan and feasibility assessment.

---

[7] The material in this section has been adapted from several sources, all of which were originally prepared by The Economic Planning Group. These sources include:

- *Nova Scotia HUB and SPOKE Tourism Marketing Seminar Manual,* prepared for the Nova Scotia Tourism RITC, 1989/90
- *Tourism is Your Business: Marketing Management*, Published by Canadian Hotel & Restaurant, MacLean Hunter Limited in co-operation with Tourism Canada and the Canadian Government Publishing Centre, 1986

Marketing Objectives

With the business assessment completed, develop a clear statement of objectives - sales volume (number of customers, etc.), total revenues, and profit for which you are striving.

Marketing Strategy

This is your overall approach to achieving your marketing objectives. It should include a Positioning Statement - what is the service/product, who is it for, and how is it different?

It should also include a definition of your target markets - each of the market segments you wish to attract.

11.2 Marketing to the Travel Trade

Distribution Network

The network of linkages between you, as an inbound/receptive operator, the travel trade, and the consumer is illustrated in Exhibit 8. Basically, you sell your products and/or services to the outbound tour operator in selected markets, who in turn sells them to the consumer, either directly through a travel agent or through a group leader/affinity club. You can also sell your services directly to group leaders/affinity clubs, as well as to corporations or associations needing the services of a receptive operator (to organize an incentive trip, for example).

Potential Partners

There are several potential travel trade partners for the inbound/receptive operator, as follows:

Tour Operators

Tour operators develop, market, and operate packages as their primary business. There are a number of types of tour operator, the most common types being the escorted group motorcoach tour operator, the independent package (FIT) operator, the special interest/activity packager/operator, and the holiday destination packager.

Sometimes tour operators are referred to as outbound operators to distinguish them from the inbound, or receptive, tour operators.

Some tour operators develop, market and operate all of their own packages whereas others retain an inbound/receptive operator to develop and/or operate their packages. It is this segment of the tour operator market that you are interested in as potential partners.

Travel Agencies

Travel agencies are retailers of travel products who book travel arrangements on behalf of individuals and businesses, earning a commission from the travel-product supplier in the process. They retail all types of travel trade packages and often develop and sell their own packages as well.

EXHIBIT 8

THE TRAVEL TRADE NETWORK

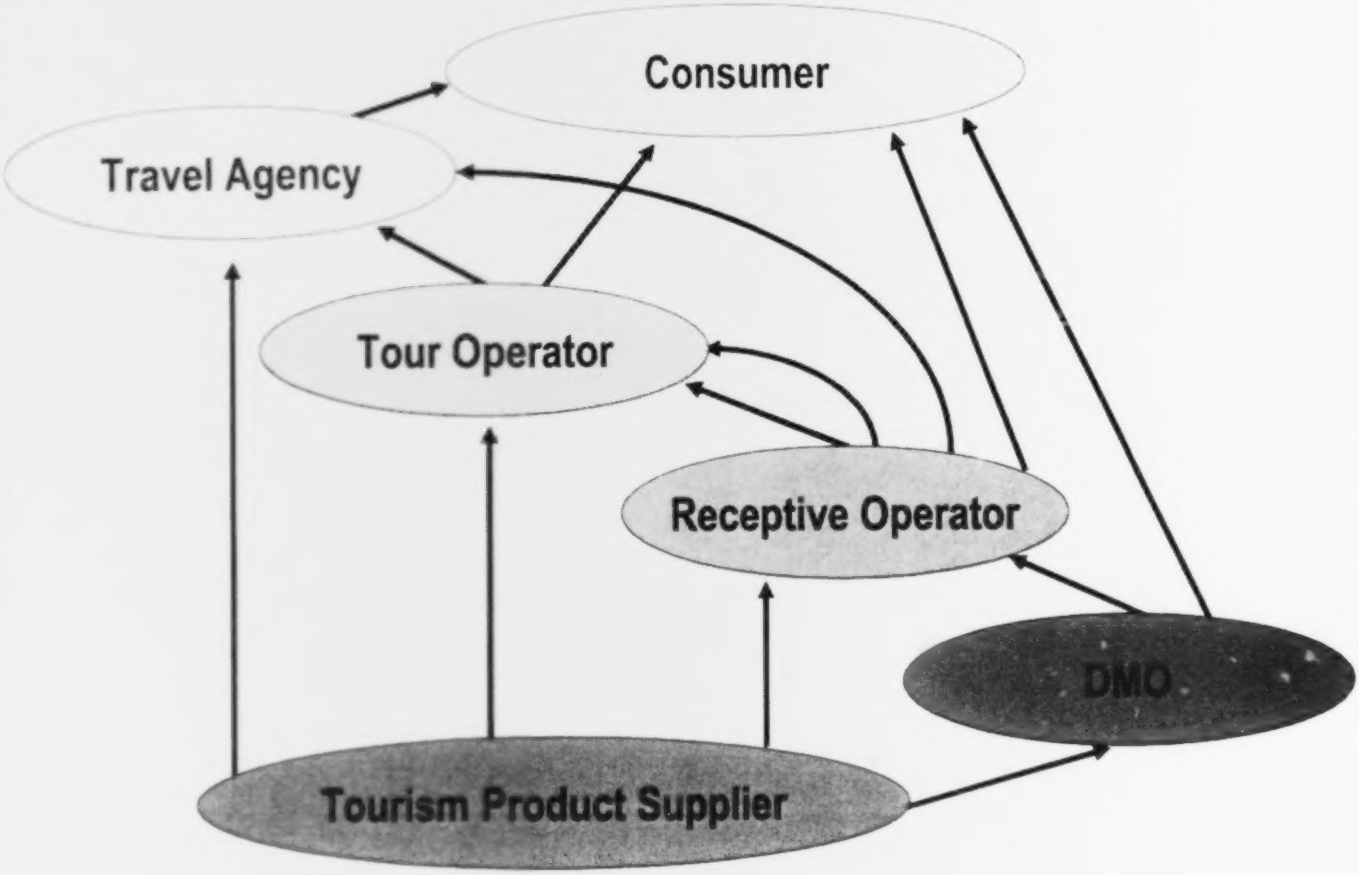
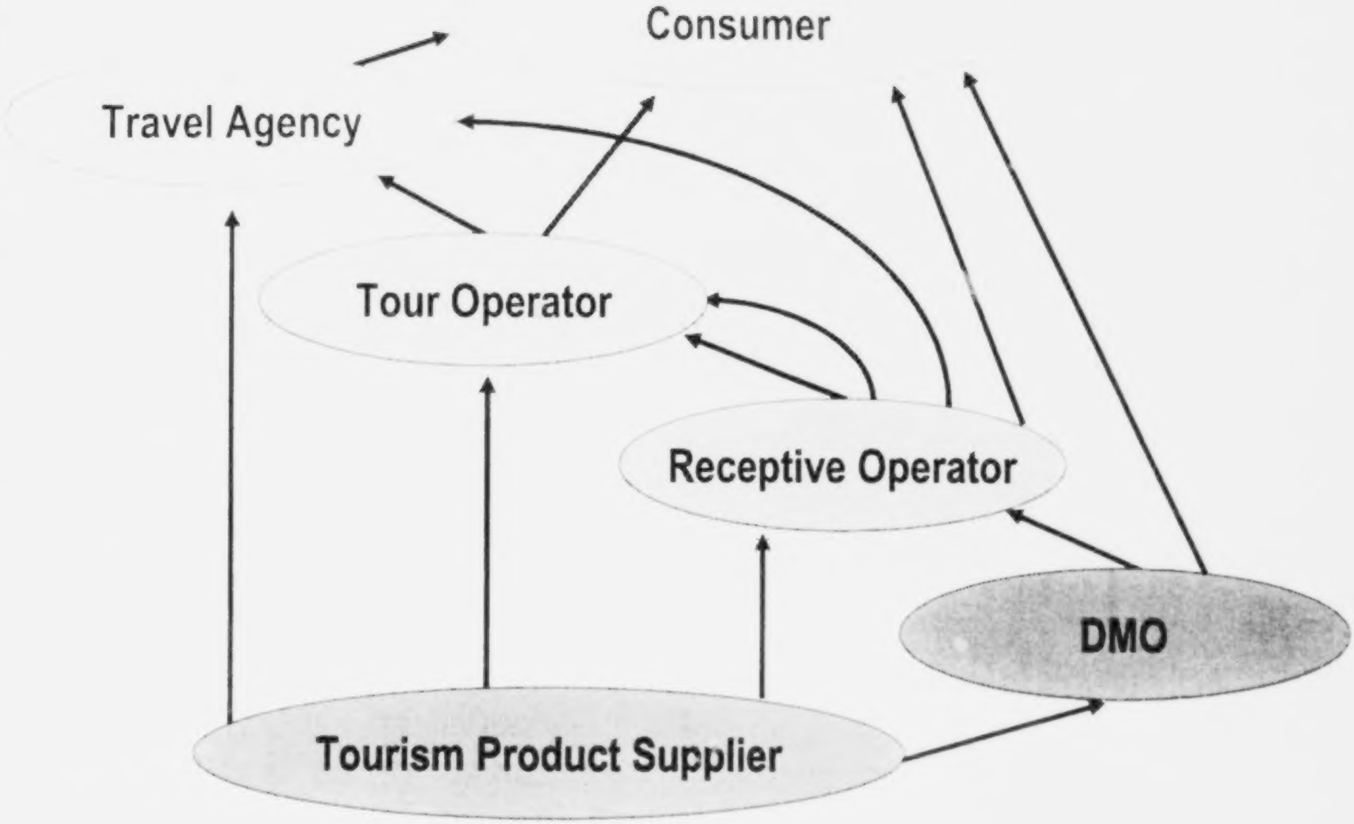

Consumer
Travel Agency
Tour Operator
Receptive Operator
DMO
Tourism Product Supplier

EXHIBIT 8

THE TRAVEL TRADE NETWORK


Consumer
Travel Agency
Tour Operator
Receptive Operator
DMO
Tourism Product Supplier

Often their own packages are one-offs, developed on behalf of a particular client or group, but some travel agents also develop packages for sale to the general public. Common types of the latter packages include: a package developed for local consumers to attend a special event in another city, a package in connection with a cruise or rail trip, or a package of services to supplement a tour operator's package. (For example, the travel agency will add air travel to a tour package to transport their local clients to the departure point for the tour.)

Incentive Travel Wholesalers

This is a distinctive sector of the market which specializes in premium and incentive travel reward programs that it develops and manages on behalf of its clients, both on a group and individual basis. Like tour operators, incentive travel wholesalers sometimes retain an inbound/receptive operator to make and coordinate all the ground arrangements for their group at a particular destination.

Convention/Meeting Planners (Destination Management Companies or DMCs)

This is another specialized sector of the market which arranges and coordinates meetings, conferences, and conventions. Convention/meeting planners sometimes hire a receptive operator to put together a special program for them or a tour for spouses.

Group Leaders

Group leaders are individuals who organize group trips on behalf of an organization to which they belong. They act as an intermediary between the group and the travel agent and/or tour operator, usually receiving free or discounted travel for themselves. Group leaders are most commonly found planning group travel for seniors.

Sometimes the group leaders themselves organize the trip; in other cases, they may contract with a tour operator or a receptive operator to make the arrangements.

Destination Marketing Organizations (DMOs)

Another potential partner that can be very important to your business is the destination marketing organization in your area. These are often referred to as DMOs. These organizations have a stake in the success of the product or package and may be willing to participate in cooperative marketing efforts with you.

Destination marketing organizations include Chambers of Commerce, visitor and convention bureaus, government tourism departments, and other such organizations which undertake marketing activities on behalf of a community or destination area. In Nova Scotia, the provincial DMO (known in the industry as a PMO) is the Tourism Division of Department of Tourism, Culture and Heritage. This Division invites members of the tourism industry to participate in various cooperative marketing efforts, developed in partnership with the Nova Scotia Tourism Partnership Council (TPC). It is important for you to maximize your involvement in these efforts.

Methods and Tools

The key techniques for marketing your product to the travel trade are as follows:

- Collaboration with your PMOs and DMOs
- Personal Direct Sales;
- Marketplaces;
- Familiarization Tours (FAMs);
- Advertisements in Travel Trade Publications;
- Direct Mail;
- Co-op promotions with suppliers;
- Customized collateral materials
- Website

Working with PMOs and DMOs

One of the most important things you can do to market to the travel trade is work closely with the provincial tourism marketing group. They are an excellent source of information and can provide pre-screened lists of tour operators who have Nova Scotia product. They also establish relationships with these tour operators and are a key source of itinerary planning information for them.

The same is true with the city and regional DMOs, although perhaps not to the same degree as their travel trade marketing efforts are generally more limited.

Direct Sales

Ultimately, the most effective way to develop a partnership with a tour operator is through direct, personal selling opportunities, including calls. But this is also among the most expensive forms of selling.

It is important, therefore, to qualify prospects carefully. You should select tour operators and members of the travel trade who operate tours or packages to Nova Scotia. You can get this information from scanning their websites and/or brochures and talking to other product suppliers in your area who deal with them.

Determine the appropriate person to see (the person who plans new programs, not just the person who handles the buying) and make an appointment. A personalized letter with some advance information on your product might help convince the prospect to see you.

Study the operator's product mix, market positioning, and USPs (unique selling propositions) before meeting them and focus your presentation on how your products and services might fit into their program and what advantages you have to offer their tour program.

Make sure that your sales representative knows your products and destination intimately and that they have the authority to negotiate and make decisions. If the prospect is a major one, it is better to have a member of management accompany your representative or make the call themselves.

In any event, your sales representative should have the following skills:

- Detailed product and destination knowledge;
- A full understanding of the market position and products of the targeted tour operator;
- A full understanding of the unique appeals and competitive advantages of your products and services;
- Strong communications and negotiating skills;
- A high level of commitment to customer service.

Telemarketing is not an effective way to solicit business from tour operators. Your unsolicited intrusion will be resented. Use the telephone to identify the person in the organization you should see and to make an appointment, nothing more.

Marketplaces

The most effective way of making the initial direct contact with a tour operator is likely be at a travel trade marketplace.

Membership in one or more trade associations and attendance at their marketplaces can provide excellent networking and one-on-one selling opportunities. The major tour operator marketplaces are;

- National Tour Association annual meeting and marketplace;
- The ABA (American Bus Association) annual meeting and marketplace;
- The Ontario Motorcoach Association (OMCA) marketplace;
- United States Tour Operators Association (USTOA) annual conference and marketplace;
- Rendez-vous Canada, which includes European tour operators as well as the US travel trade;
- Atlantic Canada Showcase, where Atlantic Canada suppliers exhibit their products to buyers from outside the region.

Don't attend marketplaces unprepared. Make sure you have pre-identified the key prospects and request appointments with them. And don't forget to follow-up your contacts after the show.

It can take a couple of shows before you really get to know your way around, find out who the players are, and determine who are the best prospects for your product.

It will be important to be part of 'Team Nova Scotia' at the marketplace by working with the trade sales team from the Province and the RTAs as well. They might also sponsor a special event, meal or promotion in which you can participate.

Familiarization Tours (FAM Trips)

The most effective way of motivating a wholesaler to add your tour program is to get them to try it out. FAM trips are an effective means of achieving this, as it is a principle among serious and successful operators that it is essential to check out a destination, an experience, or a property first-hand before adding it to their product mix.

It is much better to provide a customized, personal FAM tour for a major tour operator prospect, rather than put several of them together or add them to a travel agent's FAM. It is most important that they have an opportunity to meet privately with the product suppliers to discuss negotiable items.

Direct Mail/Email

Direct mail/email is only fully effective if mailings are undertaken in support of other, more focussed marketing activities. Like travel agents, wholesalers receive a flood of literature daily, and most of it is thrown out. Mailings should be customized for the specific operator and personalized to a specific, pre-qualified person in the organization. Your mailing should include:

- A covering letter, customized to the individual involved - use a P.S. to attract attention to key points;
- An information sheet containing the technical information required by the operator;
- A brochure;
- A response mechanism, such as a mailback card for more information (which can help in qualifying prospects for follow-up efforts).

Make sure that you follow-up your mailing with a telephone call or email to see if there is any interest in your services or if the tour operator requires more information.

Advertisements in Travel Trade Publications

It can be worthwhile to advertise your product in one or more targeted travel trade publications. The travel trade is usually diligent in reading these publications to keep abreast of new product opportunities and the activities of competitors. Relevant information from them is routinely circulated within companies.

Suggestions include NTA's Courier, ABA's Destinations and the National Motorcoach Network's Byways, as well as the leading travel trade weekly newsletter-style publications distributed to travel agents.

You may find it more cost effective to work through your destination marketing organization, as part of a program of joint destination awareness/travel product co-op advertising.

As well, you can advertise in the Nova Scotia Travel Guide or on the province's website. Many tour operators use these sources to identify potential new tours and inbound/receptive operators.

Collateral Material

Sales support materials are essential when selling to the travel trade, and your brochures could vary considerably depending on what you are selling. For example, if you want a tour operator to pick up one of your tour products, then you will need to provide sufficient information on the tour program, facilities and services used, and booking information. If you are selling your services as a receptive operator, then your brochure is going to focus on your specific abilities and expertise and what you can do for the tour operator.

You should develop a Tour Planner to provide to potential tour operator clients. It should include:

- Copies of your brochure;
- Descriptions of the different types of programs you offer;
- For each package, a concise description of the package elements, the pricing, any extras, departure dates, locations, etc.;

- Slides of the products so that the tour operator can incorporate pictures in to their brochures;
- Your booking and cancellation policies and procedures.

With modern websites, this can most cost effectively be offered as a downloadable PDF file off of your website.

Internet Marketing

The Internet has triggered a complete revolution in how companies market themselves, and this is particularly the case with tourism companies. Even the smallest enterprise can reach out to the world via the Internet. While marketing expertise and budgets still make a big difference in marketing effectiveness, these are no longer the absolute determinants of how broadly and far a company can reach in promoting itself. Even a simple website can be accessed worldwide. The playing field has been considerably levelled for companies large and small.

The big differences today are not in having an Internet presence; rather they are in a) your ability to attract prospects to your website and b) the quality of the website itself in terms of ease of navigating within it and its effectiveness in generating sales.

Internet marketing refers to all forms of marketing associated with the Internet, including websites, website links, database marketing, relationship marketing, web-based advertising and web-based tour operators. We will introduce each you to each of them in this section.

Website

The use of a website along with Internet-based e-marketing have exploded onto the scene and today have become a fundamental and central component of most tourism businesses marketing. In fact, many businesses are using their other marketing to drive prospects to their website and some are relying exclusively on their website to market their business.

Early websites were simply electronic brochures people could view on the Internet. Today, many websites are much more sophisticated and provide a number of helpful functions for the user, all of them designed to make it easier and more compelling to buy the products on offer. In the text to follow we summarize the basics involved, and also describe the more sophisticated functions possible today.

URL

This is the address of your website. (URL stands for 'Uniform Resource Locator', which is not particularly helpful to know.) But having an easy-to-remember URL, or 'domain name', is important. Here are a couple of other important points:

- Your website needs to be a 'real' website, not part of a 'referred' site, such as those offered by Sympatico and other Internet 'portals', in which your web pages are embodied within their website. Search engines will no longer recognize your content if it is part of a referred site. (Problems with spam have forced the search engines to impose this limitation on referred sites.)
- Use the name of your business in your URL to ensure it will be picked up by the search engine when someone is searching for your website by business name.
- We recommend you use several different URLs having likely names for your product, all connected to your website, again to optimize access.

It is important to realize that you need to have your own Internet address which makes your web pages into a 'website' accessible directly via the Internet through search engines. Just having web pages on someone else's site does not accomplish this. People won't find your content without going to the hosting portal website first, which is not what you want.

We are not suggesting you not list on a portal website, not at all, we are simply suggesting that you also need your own separate website, and that any listing on a portal also include a direct hyperlink to your website.

Website Design

The basic website is much like a traditional brochure but with more information available through the use of user-selected topics from a sidebar menu on each page. Lure information is displayed in text and pictures, while more detailed information is accessed via the menu bar. Common topics include who we are, our history, our products and services and how to contact us.

We strongly suggest you also include lure information on your destination area; its attractions and appeals, things to do and see. You first have to sell the destination, then your particular product.

More sophisticated websites offer more customized information based on different user-defined variables, along with such things as a trip planning function, online booking capability and so on. Here are the kinds of features that are becoming increasingly common with tourism websites:

- Downloadable brochure in PDF format
- Customized presentation of information by user-defined factors - their interests, where they live, their language, demographic profile (age, income), the intended season of travel, their previous trip/purchase.
- Different pages for different target audiences, such as tour operators, consumers, the media. Separate URLs can also be used to facilitate people in these market segments being led directly to the portion of the site of particular interest to them.
- User opt-in registration for more information - newsletters, contests, offers, promotions
- Trip planning functions, with suggested itineraries and packages, and also do-it-yourself itineraries and packages. A print-ready mini guide of your itinerary/package can be downloaded and/or printed out. In some cases the user can also register and use an ID to revisit and revise his/her earlier itinerary.
- A booking/buying engine to enable website visitors to book directly online
- Inbound email capability for site visitors to use to send a query to the company
- Features to improve the ease of navigation within the website, including, in addition to a basic sidebar menu, things like:
  - 'first page approach' (no scrolling down required),
  - different entry points to the site based on the user-defined factors, such as their country of residence, language, etc.,
  - site map
  - search function
- A built-in content management module to facilitate updating information on the website. It avoids the time and cost involved with having the site designer make all the changes to the site, which should not be necessary.
- Statistical monitoring of website visits and pages viewed

On this last point, an important consideration is getting your website designer to provide your website with a complete analytical system, permitting you to directly download statistical data from the host server.

We strongly recommend you avoid letting the website designer talk you into having a 'splash page' at the front of the website. A splash page is a first page that provides pictures, video and often a soundtrack that you have to click through to enter the website itself. While this may be an aesthetically pleasing introduction to your business, it creates a barrier to search engine maximization and it also is irritating to business people accessing the site, as well as other people wishing to get to the information they want.

A couple of interesting websites that incorporate a number of these features include:

- www.gorp.com (outstanding adventures by destination and by type of experience; a very successful website)
- www.novascotia.com
- www.explorenovascotia.com
- www.travelalberta.com (easy to navigate, good search engine maximization)
- www.colorado.com (good trip planning, customized by travel group composition, interest, region)

Here are some good Nova Scotia websites:

- www.princegeorgehotel.com
- www.lordnelsonhotel.com
- www.halliburton.ns.ca
- www.capebretonresorts.com/inverary.asp
- www.pier21.ca
- www.upperclementspark.com
- www.museum.gov.ns.ca/mma
- www.coastaladventures.com
- www.scottwalking.com

Driving People to the Website

As mentioned, one of the big challenges today is attracting the right visitors to the website. This is accomplished through a number of techniques:

- The use of traditional marketing techniques to attract attention and direct people to visit the website. All your marketing materials should include reference to the website.
- An easy to remember URL.
- Search engine optimization, through the use of search engine registration, content tags, meta tags, targeted key words and instruction codes to search engines to search all words and all pages. (We suggest you get some help from knowledgeable Internet professionals in this regard.)
- Inbound links (see discussion of this later below)

Attracting People Back to the Website

This involves cookie-based user ID or getting site visitors to register and establish a user log-in for a "remember me on this site" function. Next time they visit they are automatically taken to their previously stored information, such as their customized itinerary.

This is not a feature that a small independent tourism operator will likely use, however, it can be a very effective for larger chain operations, tour operators and destination marketing organizations.

Links

It is useful to develop a link strategy for both inbound (links from other websites) and outbound links (links to other websites). Inbound links should be maximized to the extent possible. Outbound links should be designed to open in a separate window so that the user is returned to the original site once they close out of the linked site.

Partnerships are a key part of tourism market development. Similarly, website links are a critical element of website development. They are merely on-line partnerships that share web visitors between like-minded operators and those offering complementary products and services. As such, a detailed link strategy should be developed and maintained to ensure as many visitors as possible find links to your website.

This often requires a simple request to partner sites through email. Ideally, a graphic should accompany the email in the event the host website would like to add an image or icon of the province highlighting the link. In addition, the website should have a section in the site encouraging links with a download-able image that can be added to other sites. This additional promotion can be achieved at virtually zero cost; it simply requires time and attention on an ongoing basis to increase the exposure in a wide variety of market segments.

If you are listed in the Nova Scotia Doers and Dreamers Guide, you are automatically listed on the provincial tourism website (www.novascotia.com) with a link to your website. You are required to provide a reciprocal link back to www.novascotia.com from a primary page on your website.

To check how well your site is positioned within the Internet, go to Google (www.google.ca) and in the space where you enter the search instructions, type in 'link(single space)(:)(your domain name). Here's an illustration - 'link :www.bobsmotel.com'. This will illustrate all the links to your website. If you have more than 40, you are doing OK; if not, your site needs more search engine optimization.

Web-Based Advertising

Another marketing option today is to advertise on frequently visited websites hosted by others. Given its cost, it will only be of interest to major players.

Much effort has been spent in the last couple of years promoting and testing the effectiveness of web-based advertising. Many advertisers have experienced poor performance and questionable benefits by promoting their product through banner ads, pop-ups and other forms of web-based advertising on some of the larger sites, such as news-based CNN, Globe & Mail, Canoe, Yahoo, etc. However, a more targeted approach can be tested, based on a pay-for-performance agreement. Again, tracking can be quite specific, and websites can be very targeted, including websites offering travel directions, such as Mapquest, or even online versions of the specialty magazines such as National Geographic Traveler or National Geographic Adventure.

Web-Based Tour Operators

All tour operators are embracing the Internet as a marketing tool, of course; however, there are a growing number of web-based tour operators; essentially companies that are functioning as resellers and packagers and using the web as both their marketing medium and reservations system. In other words, they are fully online marketers. Examples include Microsoft's Expedia, Sabre's Travelocity and numerous others. The Canadian versions of these two websites are www.expedia.ca and www.travelocity.ca. The USA versions are .com instead of .ca.

Another is a Canadian company, Travelinx, at www.canadatravel.ca. This company also builds websites and hosts websites for destinations, industry organizations and businesses. They employ their powerful booking engine to provide their clients with a state-of-the-art website with full reservations and transaction capabilities. One of such clients, for example is the Canadian Golf Tourism Alliance at www.canadagolf.com.

These are deserving of attention. In fact, this may offer an optional route to achieving a powerful site at reasonable cost.

SECTION 12

The Future

SECTION 12

THE FUTURE

Consumers are continuing to become more demanding and their expectations respecting the entertainment value of their tourism and recreation experiences will continue to increase. In the receptive tour business, as for attractions and entertainment products, the competitive battle will be fought in the future on uniqueness, entertainment value, genuineness, quality and service. People will judge less on price and more on value.

The ways of doing business will change, particularly because of information technology, which has radically changed the way people shop for products and provided new marketing techniques for reaching the consumer.

General touring holidays will also lose ground to special interest tourism - people travelling to particular destinations to do and experience things in accord with their special interests.

You will need to keep on top of market and product trends and what is happening in the tourism industry in Nova Scotia. You should continually be reading magazines, attending trade shows, and talking to your suppliers, your partners, the Tourism Partnership Council and the Tourism Division of the Department of Tourism, Culture and Heritage to keep yourself up to date on what is happening in the marketplace. You will have to make adjustments to your products and services to respond to these changes.

The receptive tour business is an exciting, dynamic one, which is constantly changing as consumer tastes change and as tour operators innovate by offering new types of products.

Success will be based upon offering something unique and upon providing good value and good service. It is a business in which excellence and creativity are vital.

Nova Scotia has a lot to offer as a destination, and you can succeed in the receptive tour business by providing the kinds of products and services that respond to growth markets.

Good Luck.

ACKNOWLEDGEMENTS

ACKNOWLEDGEMENTS

The Department of Tourism, Culture and Heritage and the Economic Planning Group are grateful for the assistance of Michele Inglis of Eco Tour Atlantic/Brian Moore Tours Canada in the preparation of the original manual, prepared in 1995.

APPENDIX I

Market Data

APPENDIX I

MARKET DATA

EXHIBIT I-1

**VOLUME OF VISITORS TO NOVA SCOTIA:
ANNUAL AND MAY TO OCTOBER
2000-2004
(000's)**

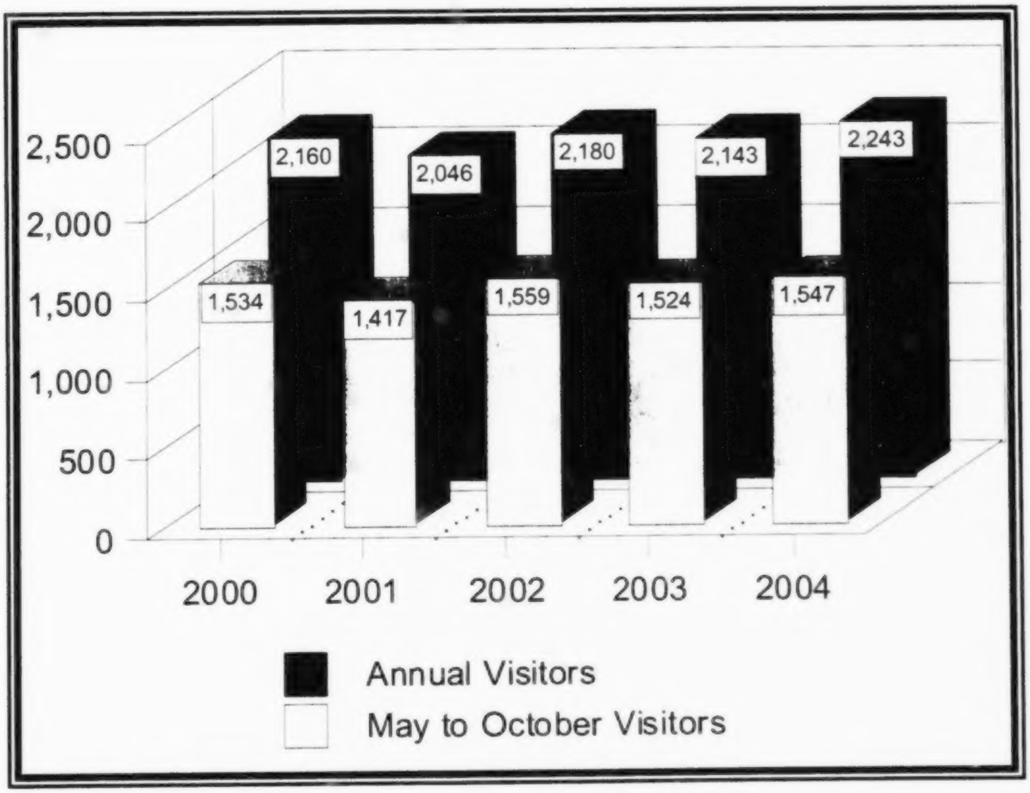


EXHIBIT 1-2

ORIGIN OF VISITORS TO NOVA SCOTIA
January to December 2004

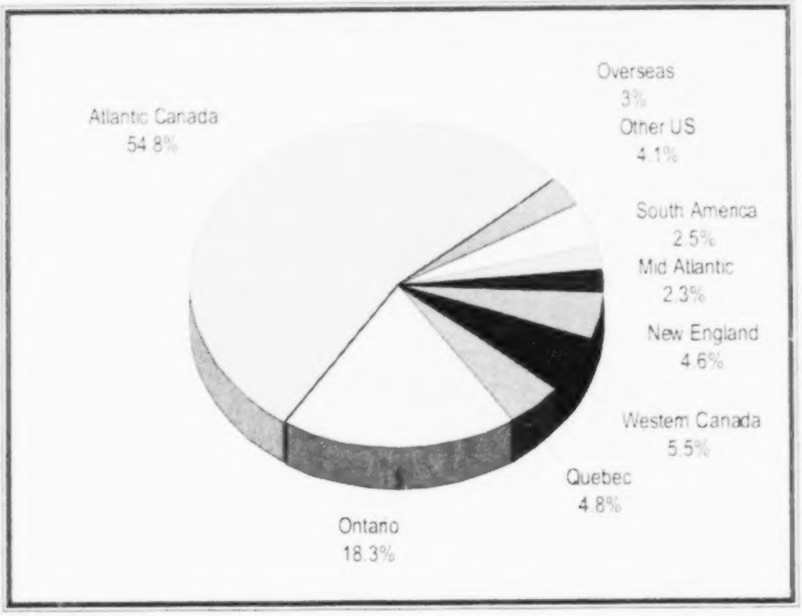
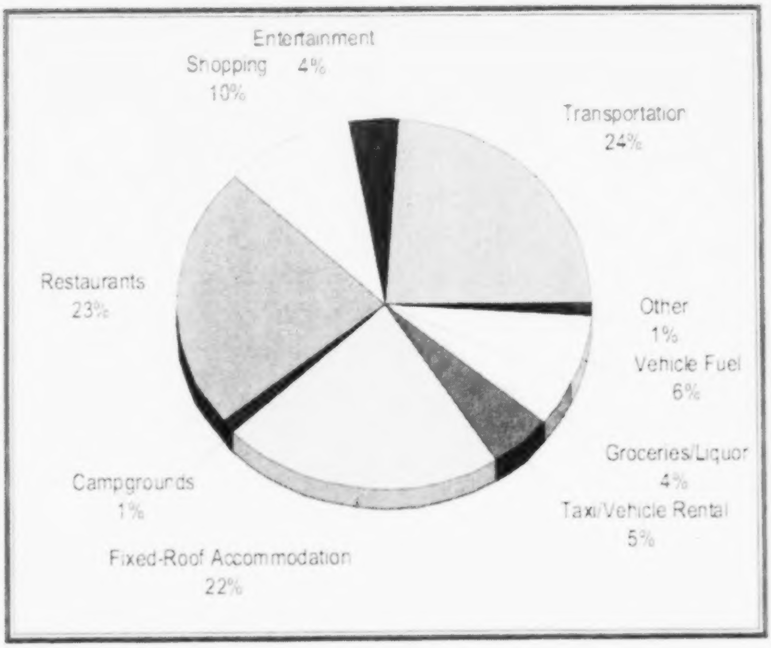


EXHIBIT 1-3

NOVA SCOTIA TOURISM RECEIPTS BY EXPENDITURE TYPE, 2003



APPENDIX II

Financing

APPENDIX II

FINANCING

Few people starting a business have enough personal capital to do it on their own. It is much more common for entrepreneurs to need other investors and, usually, some loan capital as well. This section deals with the "how to's" of arranging financing for your tour business. As discussed earlier, depending on the nature of the tour business you are establishing, your initial financing requirements could be minimal.

Traditional lenders, such as banks, prefer to lend to businesses that have fixed assets having stable or growing values over time such as real estate assets for example. Purely service businesses, such as that of a receptive tour company, are less favourably considered, since their value is usually limited to the income from the business and the skills of the owners. In financing a tour operator, a bank will want a very credible business plan and solid credentials.

It is important that you learn the basics of business finance if you are going to be seen as credible and competent by a banker or other lender. They don't expect you to be an expert on financing but they do expect you to know enough to be able to meet their needs and provide reassurance about their major concerns. They also expect you to know enough about business finance to be able to manage your business' financial affairs over time.

Rule number one is that you must invest significantly in the business yourself. You have to have your own neck on the line if others are going to risk their capital on your enterprise. Having other equity investors will be helpful, but the lenders will look to the managing principals to have a major, personal equity stake in the business.

Rule number two is that you have to have a credible business plan and preferably a feasibility study too to provide evidence that the business is going to be able to succeed and pay back its financing: first its loans and secondly its outside equity investors.

Bankers and lenders are not risk takers. They not only want the foregoing, they also want some additional security in the form of assets pledged to protect the loan.

We will now briefly explore the different types of financing available and then consider the "how to's" of applying for a loan.

Equity Capital

Your own investment in the business, be it cash, buildings, equipment, is the primary source of equity. Additional equity capital will be invested by partners, limited partners, or other investors who are willing to risk their capital on your idea and your abilities.

Venture Capital Companies

There are many venture capital companies in Canada who invest in small- to medium- size businesses that have growth potential. Venture capital companies commonly invest between $100,000 and $500,000.

These companies will put in risk capital but only in ventures that have the potential to grow dramatically and pay large returns within four to five years. They will want to sell their investment after four or five years and realize their gain.

Typically, venture capitalists invest in high tech and other high growth companies when they are in their fledgling stages. While most tourism enterprises don't have the same kind of growth potential, some may, particularly if there is the opportunity to franchise a good concept. Otherwise, this is not a very likely source of financing.

The key things venture capitalists are looking for are:

- Rapid growth potential;
- Strong, committed management;
- A seat on the Board of Directors and pre-emptive rights to replace management if they don't perform on target;
- Large returns over a limited number of years.

Debt Financing

Loans are the predominant form of financing for the tourism industry in Nova Scotia and elsewhere in Canada.

A key lending principle is that long-term assets be financed with long-term loans and short-term assets be financed with short-term loans. Working capital should be financed by a short-term line of credit. In other words, the type of financing should fit the useful life of the asset in the business.

Another key principle, often ignored, is that a business should never commit to loan obligations that it can't comfortably support from its earnings.

In addition, your loan financing, combined with your equity financing should be sufficient to cover all your costs and provide for contingencies in the event of unexpected costs or overruns in development costs. Otherwise, the working capital of the business will be absorbed by capital commitments and the ability of the business to operate properly will be compromised, if not threatened.

Fixed Assets Financing

Fixed assets are assets fixed in one place, such as land and buildings. They are assets that generally have a long life. Such assets are normally financed with long-term debt, either a mortgage loan or a secured term loan. Mortgage loans extend for the longest period, while term loans are normally for intermediate periods of five to fifteen years.

In the tour business being discussed in this manual, you are unlikely to have much need of fixed asset financing since most of your investment will be in office equipment and marketing.

Lenders don't like to finance more than 75% of the value of assets in this way; they want the rest covered by equity. The lender looks to the projected earning power of the business to pay off the loan, although they also want the security of a claim on the assets themselves in the event of default. They will expect a business plan from you and may also want a feasibility study.

Long-term lenders also look at the overall financing of the business, not just the financing of their secured assets. They look at the debt/equity ratio and don't like to see a ratio of more than 1.5 or 2.0 at the most (1.5 or 2 times as much debt as equity).

Lenders may require other things from you. Typical requirements, in addition to the security for the loan, include:

- Personal guarantees of the main principals for the amount of the loan plus accrued interest;
- A postponement of the repayment of shareholder loans until the loan is repaid;
- Limitation on the salaries and drawings of the principals;
- Restrictions on major capital purchases until the loan is repaid.

Major Equipment Financing

A tour business is also unlikely to have much in the way of major equipment, unless you get into purchasing your own vehicles. Long-term mortgage loans are not normally used to finance major equipment purchases. The techniques that are used most often include:

- Secured term loan;
- Conditional sales purchase;
- Equipment lease;
- Sale and leaseback.

Secured Term Loan

This is a standard term loan, generally of five to fifteen years, in which the equipment is taken as security for the loan, usually in the form of a lien.

Conditional Sales Contract

This is a method wherein the manufacturer of the equipment finances the purchase. The purchaser makes a down payment and monthly payments until the loan is paid off. The ownership of the equipment remains with the manufacturer until the debt is paid.

Lease

Leasing is a very common way to finance transportation equipment. This is like the conditional sales contract, but leases are provided by many different financial institutions, not just equipment manufacturers. With a lease, the equipment is rented for a pre-set period of time at a fixed monthly payment that covers the cost of interest as well as a portion of the original value of the equipment. Depending on the type of lease, the equipment either reverts to the leasing company at the end of the term (although the lessee usually has an option to buy it for a pre-set value) or the lessee must buy it for a pre-set amount at the end of the lease term.

The ownership of the assets usually resides with the leasing company.

Leases are popular since they don't require a large cash outlay at the beginning. They also provide a means of replacing equipment on a regular basis, since it can be returned at the end of the lease period and new equipment leased. It is also attractive for companies wanting to own the equipment, since they can buy it at the end of the lease period, probably for a quarter to a third of the original cost.

Sale and Leaseback

Companies wanting to reduce their existing debt so that they can borrow for new assets they require can sell a fixed asset to a financial institution and then lease it back. They effectively convert a long-term debt into a medium-term lease commitment.

Working Capital Financing

Working capital is going to be your major need in establishing your inbound/receptive tour company. The financing of short-term working capital is generally done with some combination of the following:

- Bank line of credit;
- Character loans;
- Commercial loans.

There are other methods, such as accounts receivable financing and factoring, but they are very unlikely to be used by a tour business, which should have little in the way of receivables.

Bank Line of Credit

This is also called a demand loan since the bank can demand payment at any time. The line of credit is really an overdraft privilege with a pre-set limit. It allows you to pay your bills with the bank's money when you're short of cash. The amount of the loan is the amount used and interest is only paid on the amount used.

The bank may require you to pledge your receivables as security for the line of credit and they will probably want regular financial statements and frequent lists of payables and receivables. They will also want personal guarantees.

A hybrid of this is the revolving loan, in which the bank automatically extends you small loans as you draw on the credit available and automatically pays them off as you make deposits. While you may pay interest on a slightly larger average loan, the interest rate is usually lower.

The bank will monitor your line of credit. They like to see it fluctuate and occasionally go to zero. If it is constantly at the limit, they will get concerned. If this happens, you probably should refinance the business to return the line of credit to a fluctuating loan.

Character Loans

These are unsecured loans, generally short-term, which are extended to companies or individuals with excellent credit ratings. The funds can be used at the company's discretion.

Commercial Loans

These are more formal loans intended for short-term uses. The bank generally wants them paid off within a year.

Sources of Financing in Nova Scotia

There are a number of agencies which offer financial assistance for tourism related businesses in Nova Scotia.

The **Business Development Bank of Canada** (BDB - formerly the Federal Business Development Bank) is a federal crown corporation set up to provide financial assistance to small- and medium-size businesses. Assistance is available in the form of loans, loan guarantees, and venture capital. Contact the Business Development Bank of Canada for more specific program details.

The **Canada/Nova Scotia Business Service Centre** (www.cbsc.org/ns/) provides a variety of helpful information including potential sources for funding programs.

The **Office of Economic Development** might be able to offer funding assistance through various programs. For more information, contact the nearest office of the Canada/Nova Scotia Business Service Centre for details on their programs.

Another potential funding source is the **Atlantic Canada Opportunities Agency** (ACOA), which has various assistance programs for business. The programs are designed to help you set up, expand, or modernize your business and focus on small-and medium-size businesses. They can provide tourism-related businesses with access to capital in the form of interest-free, unsecured, repayable contributions. Contact ACOA (or Enterprise Cape Breton Corporation for businesses in Cape Breton) for information on eligibility and program details.

Finally, the **Canada Small Business Financing Act** is a federal government program designed to help new and existing small business enterprises obtain term loans from chartered banks and other lenders for financing the purchase and improvement of fixed assets. Loan assistance is available for the purchase of land, construction or renovation of premises, and purchase of new equipment. The program is delivered through private-sector financial institutions. Further information on the Small Business Financing Act is available from ACOA or your lender.

Your Presentation and Negotiations

The First Step

First of all, put together a short description of your business concept, in point form if possible, and review it with your local economic development officer or a representative of the Regional Development Authority or the Office of Economic Development. They will be able to help you identify what you need if your application is to be considered favourably by a banker.

Next, make an appointment with the manager or loan officer and go to meet with them. (It will help if you review this section before you go so you are able to discuss financing options with some knowledge.)

Make it clear at the outset of your meeting that this is intended to be a preliminary meeting, designed to help you prepare the specific information they are going to need to process your application. It is vital that they understand that you aren't applying for financing at this point, only looking for information and advice regarding a possible later application. They are used to people coming in to make actual applications for financing without having any idea of what's involved. Those people instantly have two strikes against them. Make sure they don't cast you into this lot!

By giving them an overview of the business concept, they will be able to focus in on the forms of financing and types of conditions most appropriate for your business. You may, in fact, learn that they are not the right kind of institution at all and save yourself later frustration.

There are several other advantages of having this initial meeting:

- You will be able to focus your subsequent presentation to them on the things that they indicate will be most important and avoid wasting effort on things that aren't important.
- You will get a sense of the aspects of your concept that make them most nervous and you will be able to concentrate your later presentation on overcoming these concerns.
- It will impress them that you are taking a professional approach; that you recognize their need for information and evidence of the merits of the proposal; and that you have sought their advice. The psychology of this can be most valuable later: they will write in their file, "The principal of this business is taking a professional approach to preparing his/her application", or some such supportive comment.

The Second Step - Preparing Your Presentation

In preparing your written presentation, you will need, directly and indirectly, to address a number of specific concerns that the financial institution will inevitably have:

- The viability of the business concept - potential earnings, risk factors, competitive advantages/disadvantages. With existing businesses, they will, of course be interested in past growth, revenues, and earnings as well.
- The tourism industry and the tour operator sector in particular - viability, trends, growth (you will probably need to do some education as to what the tour operator business entails since it is not a widely understood sector of the tourism industry).
- The ability of projected earnings to service the financing.
- The opportunity for growth over time.
- The management abilities of the principals - their track records in past projects or jobs, their experience in this kind of business, their formal training and education.
- The financial integrity of the principals - past credit history, reputation in the business community for paying bills and fulfilling obligations.
- The amount of equity in the business, particularly from the main principals.
- The realizable value and marketability of the security that is available to secure the financing.
- The level of professionalism evident in the approach to securing financing - the understanding of the needs of the lender, the use of outside professionals.

The actual presentation should address these issues in the context of the suggested table of contents in Exhibit II-1. If you have already prepared a business plan and/or a feasibility study, you can attach them to the submission and reference them where appropriate.

The presentation need not be exhaustive. It can be in a summary form and use bullets to make the points concisely. The financial institution will come back to you for more information where they need it.

You should submit the presentation in person, making an appointment, and then make another appointment to come back and discuss the presentation once they've had a chance to read it.

Negotiations

Honesty and openness in negotiations are critical. It isn't just because you don't want to be caught in deceit or concealment of information, it's also because you are going to have to establish a relationship of mutual trust and maintain it over a period of years. If the financier has any reason to doubt your trustworthiness, honesty, or openness, you will find it very hard, indeed, to get your loan approved.

Discuss your own concerns openly: how you intend to deal with the risks and uncertainties, what you expect to do about major problems that might arise. In general, have an open and full discussion of how the business is going to overcome its challenges. Financiers know very well what can go wrong with a business and they believe in Murphy's Law. In fact, they tend to be cynical about small business, unfair as that may seem. They want you to make them comfortable and give them confidence in your ability to deal with problems and challenges.

Don't be intimidated. If you don't understand something, ask. If you don't agree with something, say so. If you think they are being unreasonable in their demands, ask them to explain why the demands are necessary and debate the issue.

At all times be open-minded, non-judgmental, and cool.

This is a normal negotiation. You are free to go elsewhere to get the best deal for your business. However, we recommend that you approach one lender at a time. When you find someone you like and can deal with, stick with them. You should always deal with your banker in good faith. If the manager doesn't think you are serious, or thinks you are wasting his or her time, then you will have difficulty obtaining the financing you require.

It will take some time and effort to accomplish, but you want to draw your financier into a partnership-style relationship, where they will be more concerned with keeping your business afloat and helping you out, rather than worrying about their loan and wishing you'd take your business elsewhere.

Put yourself in their shoes and act accordingly. Keep them informed. Act like you are in a partnership relationship and treat them like your partner. Hopefully they will respond in kind.

EXHIBIT II-1

SUGGESTED TABLE OF CONTENTS FOR A BUSINESS PLAN, SUITABLE FOR A PRESENTATION FOR FINANCING

Executive Summary:

- Very brief description of the business, the concept proposed, and the capital budget
- Outline of proposed financing
- Summary of revenue and cash flow projections

Background:

- Industry/general tourism trends
- History of the company, date of commencement
- Form of business (partnership, etc.)
- Names of the principals, their involvement, and investment

Business Concept:

- The overall concept
- Its unique selling propositions and competitive advantages
- The product mix/product features
- Target markets
- Proposed assets and capital budget
- Project phasing

Proposed Financing:

- Equity
- Debt
- Working capital
- Security available

Management:

- Organizational structure
- Biographies of principals and key management

EXHIBIT II-1 cont'd

SUGGESTED TABLE OF CONTENTS FOR A BUSINESS PLAN, SUITABLE FOR A PRESENTATION FOR FINANCING

Markets and Projected Demand:

- Summary of results of market research and analysis
- Competitive analysis
- Market trends
- Demand projections

Marketing:

- Pre-opening activities/opening promotions
- Summary of the consumer marketing plan
- Summary of the travel trade and group marketing plan
- Marketing partnerships
- Pricing
- Planned market tracking and research

Operations Plan:

- Staffing and training plan
- Business systems
- Other operational issues

Three to Five Year Operating Projections:

- Revenues
- Operating Costs
- Profits
- Debt service
- Asset additions
- Net cash flow

Initial Balance Sheet:

- Assets
- Liabilities
- Equity

EXHIBIT II-1 cont'd

SUGGESTED TABLE OF CONTENTS FOR A BUSINESS PLAN, SUITABLE FOR A PRESENTATION FOR FINANCING

Return on Investment:

- Internal rate of return or simple return on investment
- Present value of cash flow
- Times interest earned
- Break-even analysis

Summary of Key Risks and Contingencies:

- Key risks and management's proposed responses to such threats
- Contingency plans to deal with above

References:

- Financial institutions
- Creditors
- Past business associates - customers, suppliers, partners, etc.
- Banker, lawyer, accountant

APPENDIX III

Calculation of Net Income, Cash Flow and Return on Investment

APPENDIX III

CALCULATION OF NET INCOME, CASH FLOW AND RETURN ON INVESTMENT

This appendix presents the calculation of net income and cash flow as well as methods of calculating return on investment, based on professional, accepted standards of analysis.

The proper way to determine the real profitability of a business and its return on investment is to first calculate net profit, in accordance with established accounting principles and in the way Revenue Canada calculates business income taxes. By following this method, it is possible both to determine your projected level of income taxes and determine the actual net cash return accruing to you and your investors.

However, there is also a shortcut method which is simpler and will also render a cash flow calculation, although the numbers will, in this case, be pre-tax. If it is your purpose to determine the basic viability of the business proposal by measuring return on investment, pre-tax returns can be just as useful as net returns. We will discuss this latter method first.

The short-cut way of calculating cash flow is simply to start with Operating Profit, deduct total mortgage payments (both principal and interest), and deduct any capital Asset Replacement allowance. This will give you the net cash flow, prior to business income taxes. It is simpler, by far, than going through a detailed calculation (which is only required to derive income taxes), and the pre-tax numbers can be just as readily used for return-on-investment analysis.

To complete a detailed analysis, we need to determine pre-tax profit, net profit and net cash flow. Pre-tax Profit is the Operating Profit minus all other charges against income. These are the non-operating costs of the business, and they include:

- Interest on long-term debt;
- Depreciation.

To calculate the interest on your proposed debt financing, we need to split the mortgage payments between the interest and principal portions for each year. A mortgage program can do this for you. Ask your accountant or your banker to run the numbers for you.

Depreciation should be charged at the Capital Cost Allowance (CCA) rates set out by Revenue Canada for each type of asset. Generally, these are calculated on a diminishing balance basis (a constant percentage is applied each year against the un-depreciated balance in the asset account), although some assets can be depreciated on a straight-line basis (an equal portion of the original amount each year). Check with your accountant or Revenue Canada for the CCA rates applying to the major asset items proposed for your operation.

Net Profit is Pre-tax Profit less corporate income taxes. Business income taxes are levied against pre-tax profit. Ask your accountant which tax rates would apply to your business.

The resulting figure, Net Profit, is the accountant's way of telling you what the real profit is in your business. It is a figure which includes the profit that is available to you and your investors at the end of the year as well as the principal portion of any debt that has been paid off, after adjusting for the amortization of the original cost of the assets in the business (depreciation or CCA). In other words, it's the accrued change in the book value of the net worth of the business (i.e. assets less liabilities).

However, this is not the same figure as the amount of real cash you have available from the business, since it includes the principal portion of mortgage payments which have been made and it also ignores any new capital expenditures which have been made over the year (expenditures which would have been capitalized rather than expensed against that year's income). Net Profit is also net of capital cost allowance or depreciation. Indeed, as this is a book entry and not a real cash flow charge, it only distorts the cash flow picture.

To calculate Net Cash Flow, which is the real cash figure, you need to start with Net Profit, add back the depreciation or capital cost allowance, deduct the principal portion of mortgage payments (the interest portion has already been deducted) and deduct an allowance for capital purchases (Asset Replacement) for the year. This is the real cash return - the cash flowing out of the business for the year and available for you and your investors to take out or re-invest.

The short-cut way of calculating cash flow is simply to start with Operating Profit, deduct total mortgage payments (both principal and interest), and deduct any capital Asset Replacement allowance. This will give you the net cash flow prior to business income taxes. It is simpler by far than going through the detailed calculation above (which is only required to derive income taxes), and the pre-tax numbers can be just as readily used for return-on-investment analysis. A worksheet is provided in Exhibit III-1.

Return on Investment Methods

Return on Investment is generally referred to as ROI. Another measure of value is Return on Equity (ROE).

These calculations give you a single measure of the income returned on the invested capital over a period of future years selected by the analyst to represent the life of the investment. ROI is a measure of the return on total capital, both debt and equity, while ROE is the return on equity only. These measures are universally accepted by investors, bankers, and other lenders as means of evaluating the income potential of a business investment.

EXHIBIT III-1

CALCULATION OF PROFIT (LOSS)

	Mature Year	1	2	3	4	5
Revenue						
Total Operating Expenses						
Operating Profit						
Less: Mortgage Payments (P & I)						
Less: Capital Replacement Allowance						
PRE-TAX CASH FLOW						

There are a number of ways to make these calculations, some more complex than others. The more complex methods are, of course, the better methods. We will start with the simplest.

Simple Average Pre-Tax or Net ROI/ROE

For a particular year, ROI is the pre-tax cash flow plus the interest for the year on long-term debt, as a percentage of the original total investment (equity plus long-term debt).

$$\text{ROI} = \frac{\text{Pre-tax or Net Cash flow} + \text{Interest on Long-Term Debt}}{\text{Original Equity} + \text{Original Long-Term Debt}}$$

ROE is the pre-tax or net cash flow as a percentage of the original equity investment.

$$\text{ROE} = \frac{\text{Pre-tax or Net Cash Flow}}{\text{Original Equity}}$$

These numbers can be averaged over a number of years, say ten years, to give an average pre-tax ROI or ROE figure.

These are the simplest calculations. However, they are not well regarded by serious financial analysts because they ignore the time value of money. What we mean is that they give the same value to a dollar earned in the tenth year as they do to a dollar earned in the first year. In reality the present value of a dollar earned in the tenth year is really only a portion of a dollar.

However, the simplicity of this method is its beauty and it is easy to understand. Most bankers will accept such numbers for their purposes. If you are not pressed for a more sophisticated calculation, leave it at this.

For a project to be commercially feasible, the ROI and ROE values have to be positive (i.e. the business is making, not losing, money) and they should exceed the costs of alternative, no-risk investments, such as bonds or guaranteed investment certificates. If they don't exceed these alternatives, why bother taking the risk? Just put your capital in guaranteed investments.

Another factor determining what is a satisfactory return is liquidity. Liquid investments, blue chip stocks and bonds, for example, can be readily and quickly sold, at little cost. An equity stake in a small retail business, however, may be difficult if not impossible to sell, and there may, in fact, be an agreement among the investors restricting their rights in this respect.

The degree these rates of return exceed no-risk investments is primarily determined by the level of risk inherent in the business proposal and, to a lesser degree, the level of liquidity.

Looking at a tourism retail business, its advantages are:

- It has inventory which can be sold or relocated to another site;
- The building can be converted to other types of uses, particularly retail ones.

Disadvantages include:

- Highly sensitive to effective inventory and cash flow management;
- Vulnerable to competition;
- Can be difficult to get established, and the start-up period will extend two years or more.

Everyone has a different view on these matters, but we suggest the following guidelines:

ROI (assuming 50% debt and 50% equity):

- Double the interest rate on long-term debt is **excellent** (provides four-times coverage of interest on debt) (NB: - For the ROI to be double the interest rate, the ROE has to be three times the interest rate.);

- 150% of the interest rate is **good** (provides three-times interest coverage) ;

- 100% of the interest rate is **poor** from the investor's standpoint - there is no premium for risk but not bad from the banker's perspective, he or she has two-times coverage on interest;

- Less than 100% - is **not a commercially feasible** proposition and probably not bankable, since the lender has little or no income protection.

Assuming the financing was 50/50 debt/equity and that the interest rate on long-term debt was 10% per annum, an ROI of 20% would produce an ROE of 30%.

ROE :

- Triple the interest rate on long term debt is **excellent**;
- Double is **good**;
- Equal to the interest rate is **poor**;
- Less than the interest rate is **unfeasible**.

Times Loan Payment Coverage

Bankers look at the income protection on their loan. Basically, they want to see operating profit of at least double the level of annual loan payments. Thus, if there was a 50% deterioration in net income, the business could still cover its loan payments. For higher risk businesses, they will want to see triple or better coverage.

This judgement will also be affected by the amount and quality of security you have put up for the loan. If they don't have to rely on business income for loan repayment, they may be a little less demanding on times coverage.

Detailed Return-on-Investment Methods

The more sophisticated methods of calculating return on investment are summarized below. Both of them share the benefit of accounting for the time value of money in calculating return on investment.

Internal Rate of Return (IRR):

This method calculates the percentage of rate of return generated from a stream of income over time, relative to the amount of the original investment. Net cash flow is usually used to represent income, although a pre-tax IRR can be calculated too, if you are using the simpler pre-tax cash flow method of projecting earnings.

Essentially, this method determines the discount rate (rate of return) that, when applied to each future year's cash flow, will result in a total cash flow for all the years equal to the original investment.

Ask your banker or your accountant to do this calculation for you. Most spreadsheet programs today will perform this calculation. To do it manually, you have to be a mathematician!

Net Present Value (NPV):

Net present value (NPV), sometimes called warranted investment, is a very useful ROI measure. Rather than determining the rate of return itself, it asks you to establish a target rate of return and then discounts each year's cash flow at this rate to calculate the level of investment warranted for the project. In other words, it tells you how much you can afford to invest to produce the desired rate of return from the projected cash flow. If the warranted investment is higher than the actual investment required, the project will exceed the target rate of return and vice versa.

Again, the NPV calculation can be done by your accountant or banker.

Time Period for Projections

What time period should we use in measuring ROI?

A primary consideration in this respect is the expected useful life of the investment. The useful life of an investment can be many years. Buildings, for example, can have an effective life of a century or more. Other assets will have a much shorter useful life. Assuming, however, that you will be spending enough annually to refurbish or replace items on a periodic basis, the useful life of the assets in the business will be extended indefinitely into the future. On the other hand, new competition could weaken your ability to maintain the business on this basis and its life would be shortened as a consequence. As a result, the expected useful life of an investment is not a sufficient consideration, on its own, for determining the time line for ROI analysis.

A second important consideration is the reliability period of future projections. Some experts believe that any projections beyond five years are so speculative that they are useless. (Some others believe one year is speculative!)

However, the key question is not really how accurate future projections can be but, rather, is it reasonable for you to rely on future income from the investment you're contemplating today and, if so, for how many years can you reasonably expect to continue to earn this income?

We would suggest that a ten-year time line would probably be appropriate for a tourism retail business. With reasonable management and investment in marketing, this should be readily achievable. In addition, there's not a lot of value in extending the time line significantly beyond this, since, with the time-sensitive ROI methods, the impact of cash flow more than ten years in the future is quite small.

With the simple ROI method, you should not include years beyond the tenth year in the calculation, since to do so would distort the result by giving too much weight to cash flow in the distant future.

Break-even Analysis

Another useful analysis is break-even analysis. Some financial institutions like it because it paints a picture of the degree to which a projected level of business exceeds the minimum necessary to survive and provides a measure of the down-side protection in the projected numbers.

The break-even point is the volume of revenue at which all costs are covered and the business breaks even on a revenue-to-cost basis.

There are several different break-even points, as illustrated in Exhibit IV-2. The first comes when the intersection of volume of business and price produces enough revenue to cover variable operating costs (costs of sales and direct operating expenses). The amount of revenue in excess of variable costs is called Contribution to Overhead.

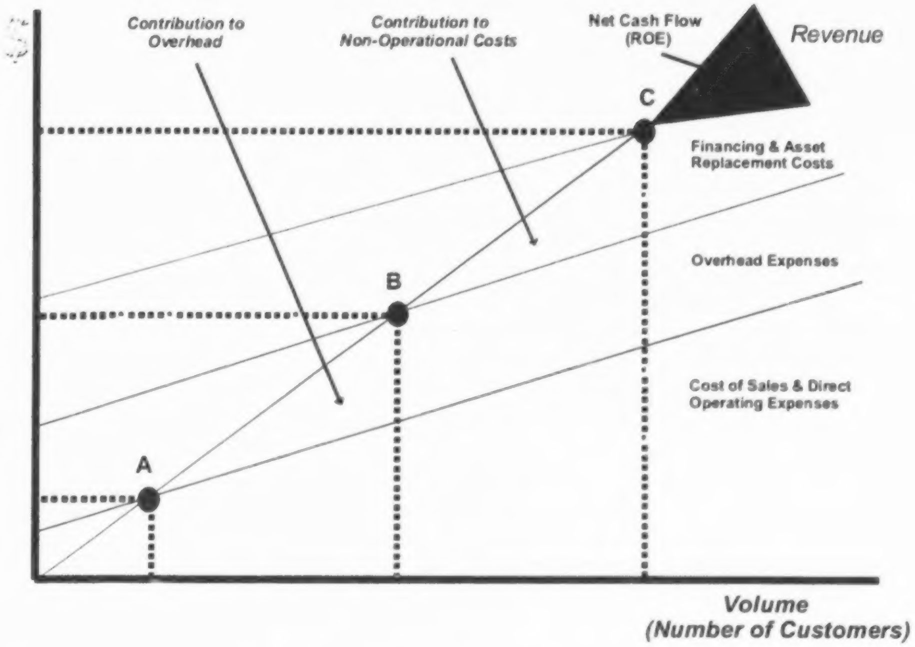
The second level happens when all operating costs, the variable costs as well as all overhead costs, are covered. The surplus is the Contribution to Non-Operating Costs or Contribution to Capital Related Costs.

The third level is when all costs of the business are covered. The surplus is Net Cash Flow or Return on Equity.

Break-even analysis is also very useful to management for the purpose of evaluating feasibility and also because it can be used in pricing and discounting strategies as part of a yield management process.

EXHIBIT III-2

BREAKEVEN ANALYSIS



A	Break even on variable costs (direct costs)
B	Break even on variable & fixed cost (overhead costs)
C	Full Break even - covers all variable & fixed costs, as well as financing & asset replacement costs

APPENDIX IV

Business Structures

APPENDIX IV

BUSINESS STRUCTURES

Alternative Forms of Business Structures

This section looks at alternative ways of setting up a business and deals with the major considerations you will face.

The alternative forms of business organization include:

- Sole proprietorship;
- Partnership;
- Corporation - the Limited Company and the Public Corporation;
- Limited Partnership;
- Joint venture.

The features, advantages, and disadvantages of each organizational form are summarized below.

Sole Proprietorship

A sole proprietorship is just what it says. It involves one owner, and that owner and the business are one entity. In other words, the person owns the assets personally, and the liabilities of the business are the liabilities of that person. There is no legal form to a sole proprietorship, although it still has to register itself as a business for the purposes of business licensing and sales tax registration. The legal status of the business is the legal status of the owner as a citizen. The income of the business is the personal income of the owner.

The advantages of this form of enterprise include:

- Simplicity;
- Freedom to make your own decisions.

The disadvantages include:

- No limitation of personal liability for the owner;
- Nobody to share the responsibilities of running the business;
- Limited access to equity other than what you have available personally.

This form of enterprise is only feasible where the business is owned solely by an individual, or perhaps by a married couple, since the laws on marital property will govern the nature of the relationship between the parties.

Partnership

A partnership is a business form intended for two or more owners. Like the sole proprietorship, the owners of the business and the business itself are one and the same for legal purposes. The business has no legal status separate from the individuals involved. The liabilities of the business are the liabilities of the partners. In fact, each and every partner is liable for all of the liabilities of the business. Partners are assumed under the law to have equal interests in the business, unless their partnership agreement specifies differently.

The governing legal instrument is the partnership agreement drawn between the partners. It has legal status as a contract. It normally covers the key arrangements among the partners, for example:

- The proportions of partners' interest, if other than equal;
- Cross indemnification of personal liability;
- Provision for dissolution, or transferring of interests in the partnership;
- The decisions to be made jointly by the partners;
- Prohibited activities;
- Provisions for life and disability insurance to assist surviving partners in acquiring the interest of the deceased or disabled partner, and compulsions on the partner or his/her estate to sell that interest to the surviving partners in the event of disability or death;
- The manner in which partners are to be compensated as well as distribution of the partnership's profits and losses;
- Procedures for amending or terminating the agreement.

The advantages of a partnership are:

- Basic simplicity;
- Provides for more than one owner.

Disadvantages include:

- Unlimited liability for each partner for all of the liabilities of the business. The partners can have a mutual indemnification clause in their partnership agreement, which can partially offset some of risk, but this only establishes a claim on the other partners in the event a partner is called upon to cover a business liability.

- Many partnerships fail because the partners do not adequately deal with issues such as those identified above as needing to be included in the partnership agreement.

Corporation

The corporation is a separate legal entity from its owners. It has the status of a person under law. It is created when Articles of Incorporation are filed with the Registry of Joint Stock Companies of the Nova Scotia government in the case of a provincial corporation, or the federal government in the case of a federally incorporated company. You have the choice of provincial or federal incorporation. (Since you are likely to be doing business outside of Nova Scotia, it may be of benefit to establish a federally incorporated company - this means that your business will have legal status, nationally rather than just within the province. While provincial companies can also register in other provinces too, they may lack legal status there.)

A corporation issues shares to its owners and equity investors. The liability of the owners and investors is limited to the amount of their investment. (However, if they provide personal pledges or guarantees to the bank or other creditors on behalf of the company, their limited liability does not protect them for the specific liability involved.) In other words, for the most part the company's creditors have only the assets of the company as protection for their credit, not the assets of the owners. There are certain creditors and liabilities which do have a claim on the owners of an incorporated company, including the Receiver General for Canada for employee source deductions, the Workers' Compensation Board, and employees for their back wages.

There are two forms of limited liability corporation, the private corporation and the public corporation. The private corporation is the one used by the vast majority of small-and medium-size businesses, where the investors are informally organized by the promoters of the business. Private corporations are not permitted to promote the sale of their shares to the general public.

In a public corporation, on the other hand, promoters are permitted to solicit the sale of the corporation's shares to the general public through investment dealers and other financial institutions. To do this, however, the promoters have to file detailed information on the business proposal and on many other topics to the Nova Scotia Securities Commission and receive approval to sell the share offering.

The cost of legal, consulting, and accounting fees in developing a prospectus can run to hundreds of thousands of dollars, so this form of business structure is only used for very large businesses.

The advantages of a corporation are:

- Limitation of owners' liability;
- Can have several owners/investors;
- The business can enter into contracts and conduct business in its own name, rather than the names of the owners;

- There can be some tax benefits to the owners as compared with the sole proprietorship or partnership.

Disadvantages include:

- More expensive and complex to establish;

- For very small businesses, much of the advantage of limited liability is usually lost, since bank and lenders will insist on personal guarantees from the owners anyway.

Limited Partnership

The limited partnership is a form of business organization that was popular in the past decade. It is like a partnership in some ways and a corporation in others. Basically, the general partner organizes and runs the business, while the limited partners invest in it. All are partners for tax purposes; in other words, the net income and losses of the partnership flow directly to them. However, the liability of the limited partners is limited to the amount of their investment, as long as they don't engage in the business in any fashion, other than as passive investors. To remain a limited partner, a person must not take part in the management of the firm and may not act on behalf of the company.

Joint Venture

A joint venture is like a partnership but usually involves two or more corporations that enter into an agreement to operate an enterprise under joint ownership. The respective companies usually have some business relationship with the joint venture.

Business Registration

Whatever the form of business structure you choose, you need to register the business. This is discussed in the section of the manual on Legal Matters.

Tax Considerations

There are a number of tax implications with each form of business organization. You are strongly advised to obtain professional tax advice from a qualified accountant, preferably a tax specialist.

Agreements Among Principals

Whatever the form of organization, it is vital that the principals in the business execute a formal agreement among themselves. In the partnership, there is a partnership agreement, while in the corporation it is a shareholders agreement.

The agreement should cover, at a minimum, the following kinds of issues:

- An understanding as to the purpose of the business, the roles of the principals in it, and any other mutually agreed intentions;
- Decisions requiring approval of all the principals;

- Decisions requiring approval of a majority of the principals;
- Procedures for selling or transferring an interest in the business;
- Procedures for dissolution;
- Procedures for resolving conflicts when there is a stalemate;
- Methods of compensating the principals;
- Issues having to do with the rights of and prohibitions on the principals.

Which Form of Business Should I Use?

If you're in this project on your own, a sole proprietorship is simplest and least expensive.

Incorporate a private company in which you hold all or most of the shares if you want some limitation of liability protection and/or if your tax advisor indicates some tax advantages in incorporation.

If there's more than one owner, and they all want to have a say in the running of the business, you might also form a partnership.

In partnerships, sometimes one partner may be silent, which means he or she will supply the capital while the other supplies the know-how and the hands-on management. In most cases, however, partners work together at the business. Ideally, in a working partnership, each partner will have skills that are different but complementary to the other so that both can contribute to the business in other ways besides supplying money. Whether silent or active, your partner will usually insist on some share in management decisions.

A word of caution here: you should be very careful in choosing a business partner. Many partnerships fail because the partners cannot get along. If you do choose to form a partnership, you should have a detailed and comprehensive agreement drawn up to protect the interests of all partners.

If you have several others who are prepared to invest in the business but are not going to be active in it as partners, then the private corporation may be the best form. Your tax advisor may, on the other hand, suggest a limited partnership since it gives some tax advantages to the non-active partners.

You definitely need expert advice on this, however.

APPENDIX V

List of Contacts

APPENDIX V

LIST OF CONTACTS

Tourism Division - Tourism Development
Department of Tourism, Culture and Heritage
1800 Argyle Street, 6th floor
Halifax, NS
B3J 2R5
Tel: 424-5000
Fax: 424-0629
Website: www.gov.ns.ca/dtc

Tourism Division - Tourism Marketing
Department of Tourism, Culture and Heritage
1800 Argyle Street, 6th Floor
Halifax, NS
B3J 2R5
Tel 424-5000
Fax: 424-2668
Website: www.gov.ns.ca/dtc

The Nova Scotia Tourism Partnership Council
World Trade and Convention Centre
Suite 603, 1800 Argyle Street
Halifax, Nova Scotia
B3J 3N8
Tel: 424-0048
Fax: 424-0723
Website: www.nstpc.com

Service Nova Scotia & Municipal Relations

Access Nova Scotia
Toll free: Throughout Province:
1-800-670-4357
Website: https://www.gov.ns.ca/snsmr
One-stop shopping for government programs and services. Maintain database of contacts for government departments in each region regarding appropriate permits, etc. Also contact for new Nova Scotia Business Registry.

Regional Access Nova Scotia Offices:

Access Nova Scotia - Amherst
Superstore Mall
126 South Albion St.
Amherst, NS B4H 2X3

Access Nova Scotia - Antigonish
20 St. Andrew's St.
Antigonish, NS B2G 2L4

Access Nova Scotia - Bridgewater
77 Dufferin Street
Bridgewater, NS B4V 2W8
Tel: 1-800-670-4357

Access Nova Scotia - Halifax
West End Mall
6960 Mumford Rd.
Halifax, NS B3L 4P1

Access Nova Scotia - Kentville
28 Aberdeen Street
Kentville, NS B4N 2N1
Tel:1-800-670-4357

Regional Access Nova Scotia Offices (Cont'd):

Access Nova Scotia - Port Hawkesbury
218 MacSween St., Ste. 22
Provincial Building
Port Hawkesbury, NS

Access Nova Scotia - Sydney
Moxham Centre
380 King's Rd.
Sydney, NS B1S 1A8

Access Nova Scotia - Truro
35 Commercial Street, Suite 101
Truro, NS B2N 3H9

Access Nova Scotia - Halifax
West End Mall
6960 Mumford Road
Halifax, Nova Scotia
B3L 4P1

Access Nova Scotia - Dartmouth
Superstore Mall
650 Portland Street
Dartmouth, NS B2W 6A3

Access Nova Scotia - Yarmouth
Provincial Bldg.,
10 Starrs Rd., Ste. 127
Yarmouth, NS B5A 2T1

Canada/Nova Scotia
Business Service Centre
1575 Brunswick Street
Halifax, NS
B3J 2G1
Tel: 426-8604
Fax: 426-6530
Toll free: 1-800-668-1010
Information on federal and provincial government programs and funding assistance under the Community Business Loan Program.

Nova Scotia House of Assembly- Office of Legislative Council
Website: www.gov.ns.ca/legislature/legc/
Statutes of Nova Scotia

Government Departments

Federal Government

Atlantic Canada Opportunities Agency (ACOA)
1801 Hollis St., Suite 600
P.O. Box 2284, Station M
Halifax, NS B3J 3C8
Tel: 426-6743
Fax: 426-2054
Toll free: 1-800-565-1228
Website: www.acoa-apeca.gc.ca

Business Development Bank of Canada
Cogswell Tower - Scotia Square, Suite 1400
Halifax, NS B3J 2Z7
Tel: (902) 426-7850
Fax: (902) 426-6783
Toll free: 1-888-463-6232
Website: www.bdc.ca

Canadian Tourism Commission (CTC)
55 Metcalfe Street, Suite 600
Ottawa, ON
K1P 6L5
Tel: 613-946-1000
Website: www.canadatourism.com

Canada Revenue Agency
Business Services
Website: http://www.cra-arc.gc.ca
Payroll, GST/HST
Business Account Registration
Corporations (taxation)
Sole Proprietorships/Partnerships

Canada Revenue Agency
Tax Services Offices:
Halifax
Ralston Building
1557 Hollis St.
P.O. Box 638
Halifax, NS B3J 2T5
Fax: (902) 426-7170

Sydney
47 Dorchester St.
P.O. Box 1300
Sydney, NS B1P 6K3
Fax: (902) 564-3095

Enterprise Cape Breton Corporation
Commerce Tower, 3rd floor
15 Dorchester St.
Sydney, NS B1P 6T7
Tel: 564-3600
Fax: 564-3825
Toll free: 1-800-705-3926
Website: www.ecbc.ca

Fisheries and Oceans Canada (Maritimes)
P.O. Box 1035
Dartmouth, NS B2Y 4T3
Tel: (902) 426-3760
Fax: (902) 426-5995
Website: www.dfo-mpo.gc.ca

Industry Canada
Corporations Directorate
365 Laurier Avenue West, 9th floor
Jean Edmonds Tower South
Ottawa, ON
K1A 0C8
Tel: 1-866-333-5556
Fax: (613) 941-0601
Website: www.corporationscanada.ic.gc.ca

Industry Canada
Competition Bureau
50 Victoria St.
Gatineau, PQ
K1A OC9
Tel: 1-800-348-5358
Fax: (819) 997-4282
Website: http://cb-bc.gc.ca

Industry Canada
NUANS Search System
C/O NUANS Administrator
Hewlett-Packard Canada
P.O. Box 13000
100 Herberg Rd.
Kanata, ON
K2K 2A6
Website: www.nuans.com

Office of the Privacy Commissioner of Canada
112 Kent St.
Place de Ville, Tower B - 3rd floor
Ottawa, ON K1A 1H3
Toll free: 1-800-282-1376
Tel: (613) 995-8210
Fax: (613) 947-6850
Website: www.privcom.gc.ca
Personal Information & Protection of Electronic Documents Act

Statistics Canada (Atlantic Office)
1741 Brunswick Street
Box 11, 2nd Floor
Halifax, NS B3J 3X8
Toll free: 1-800-263-1136
Website: www.statcan.ca
Population data, Canadian Travel Survey, International Travel Survey.

Transport Canada, Marine Safety
Tower C, Place de Ville
330 Sparks St.
Ottawa, ON
K1A 0N8
Tel: (613) 990-2309
Website: www.tc.gc.ca/marinesafety
Navigable Waters Protection Program
Office of Boating Safety

Transport Canada (Atlantic Region)

Dartmouth:
P.O. Box 1013
45 Alderney Drive
Dartmouth, NS B2Y 4K2
Tel: 426-7795

Port Hawkesbury:
811 Reeves St.
Shediac Plaza
P.O. Box 2012
Port Hawkesbury, NS B0E 2V0
Tel: (902) 625-0803

Sydney:
196 George St.
Federal Arts Bldg., 2nd floor
Sydney, NS B1P 1J3
Tel: (902) 564-7002

Yarmouth:
248 Pleasant St.
P.O. Box 850
Yarmouth, NS B5A 4K5
Tel: (902) 742-6860
Website: www.tc.gc.ca/atl/

St. John Ambulance Training Offices
Headquarters for Nova Scotia Council
88 Slayter Street
Dartmouth, NS B3A 2A6
Tel: 463-5646
Fax: 469-9609
Website: www.stjohnambulance.ns.ca

Canadian Red Cross
1940 Gottingen Street
Halifax, NS B3J 3Y2
Tel: (902) 423-3680
Fax: (902) 422-6247
Website: www.redcross.ca
First Aid, Water Safety courses.

Provincial Government

Nova Scotia Department of Agriculture & Fisheries - Food Safety Section (Halifax)
PO Box 2223
Halifax, NS
B3J 3C4
Tel: (902) 424-1173
Fax: (902) 424-3948
Website: www.gov.ns.ca/nsaf

Nova Scotia Department of Agriculture & Fisheries - Food Safety Section (Truro)
P.O. Box 550
Truro, NS
B2N 5E3
Tel: (902) 893-7473
Fax: (902) 893-6531
Website: www.gov.ns.ca/nsaf

Nova Scotia Department of Natural Resources
P.O. Box 698
Halifax, NS
B3J 2T9
Tel: 424-5935
Fax: 424-7735
Website: www.gov.ns.ca/natr

Service Nova Scotia & Municipal Relations
1505 Barrington St., 9th Floor, South
PO Box 2271
Halifax, NS
B3J 3C8
Tel: 424-5528
Fax: 424-1298
Website: www.gov.ns.ca/snsmr

Nova Scotia Department of Environment & Labour
5151 Terminal Road
PO Box 2107
Halifax, NS
B3J 3B7
Tel: 424-5300
Fax: 424-0503
Website: www.gov.ns.ca/enla/
Public Safety Division
Occupational Health & Safety Division

Nova Scotia Office of Economic Development
P.O. Box 2311
14th floor South, Maritime Centre
1505 Barrington St.
Halifax, NS
B3J 3C8
Tel: (902) 424-0377
Fax: (902) 424-7008
Website: www.gov.ns.ca/econ

Nova Scotia Human Rights Commission (Central Office):
1690 Hollis St., 6th floor
P.O. Box 2221
Halifax, NS B3J 3C4
Tel: 1-877-269-7699
TTY: (902) 424-3139
Fax: 424-0596
Website: www.gov.ns.ca/humanrights

Nova Scotia Labour Standards
5151 Terminal Road, 7th floor
P.O. Box 697
Halifax, NS
B3J 2T8
Tel: 1-888-315-0110
Fax: 424-0648
Website: www.gov.ns.ca/enla/labstand

Nova Scotia Alcohol and Gaming Authority
40 Alderney Dr.
P.O. Box 545
Dartmouth, NS B2Y 3Y8
Tel: 424-6160
Fax: 424-4942
Website: www.gov.ns.ca/aga

Nova Scotia Utility and Review Board
Motor Carrier Division
1601 Lower Water Street, Suite 300
P.O. Box 1692
Halifax, NS
B3J 3P6
Tel: (902) 424-3588
Fax: (902) 424-3919
Website: http://www.nsuarb.ca

Nova Scotia Workers Compensation Board
Main Office (Halifax)
5668 South Street
P.O. Box 1150
Halifax, NS
B3J 2Y2
Tel: 1-800-870-3331 (Halifax)
Website: www.wcb.ns.ca

Nova Scotia Workers Compensation Board
Branch Office (Sydney)
336 Kings Rd., Suite 117
Sydney, NS
B1S 1A9
Tel: 1-800-880-0003
Website: www.wcb.ns.ca

Office of the Fire Marshal
Nova Scotia Environment & Labour
5151 Terminal Rd., 6th Floor
P.O. Box 697
Halifax, NS
B3J 2T8
Tel: 1-800-559-3473
Fax: (902) 424-3239
Website: www.gov.ns.ca/enla/ofm

Nova Scotia Transportation & Public Works
1672 Granville St.
PO Box 186
Halifax, NS B3J 2N2
Tel: 424-2297
Fax: 424-0532
Website: www.gov.ns.ca/tran

Provincial Tax Commission
P.O. Box 755
1505 Barrington St.,
8th floor, Maritime Centre
Halifax, NS B3J 2V4
Toll free: 1-800-565-2336
Tel: 424-6300
Fax: 424-0602
Web: www.gov.ns.ca/snsmr/taxcomm

Nova Scotia Registry of Joint Stock Companies
PO Box 1529
Halifax, NS
B3J 2Y4
Tel: 1-800-225-8227
Fax:(902) 424-4633
Website: www.gov.ns.ca/snsmr/rjsc
Registration of company and NUANS search of business name.

Nova Scotia Museum
Website: www. museum.gov.ns.ca

Educational/Training Resources

Cape Breton University
P.O. Box 5300
1250 Grand Lake Road
Sydney, NS B1P 6L2
Toll Free: 1-888-959-9995
Tel: 539-5300
Fax: 562-0119
Website: www.capebretonu.ca

Dalhousie University
Henry Hicks Academic Administration Building
6299 South St.
Halifax, NS B3H 4H6
Tel: 494-2211
Registrar's Office:
Tel: (902) 494-2450
Fax: (902) 494-1630
Website: www.dal.ca

Mount St. Vincent University (MSVU)
166 Bedford Highway
Halifax, NS B3M 2J6
Tel: (902) 457-6117
Fax: (902) 457-6498
Website: www.msvu.ca

Nova Scotia Community College (NSCC)
Admissions
P.O. Box 220
Halifax, NS B3J 2M4
Tel: (902) 491-4911
Toll Free: 1-866-679-6722
Fax: 424-0717
Toll Free:1-866-329-6722
Website: www.nscc.ns.ca

Saint Mary's University
923 Robie Street
Halifax, NS B3H 3C3
Tel:(902) 420-5400
Website: www.stmarys.ca

Nova Scotia Tourism Human Resource Council
1099 Marginal Road, Suite 201
Halifax, NS B3H 4P7
Tel: (902) 423-4480
Fax: (902) 422-0184
Website: www.tourismhrc.com

INDUSTRY ORGANIZATIONS/ SECTOR ASSOCIATIONS

National & International Organizations/ Associations

Canadian Association of Foodservice Professionals
1644 Bayview Ave., Ste.1219
Toronto, ON M4G 3C2
Tel: (416) 422-3431
Fax: (416) 421-1598
Website: www.cfsea.com

Canadian Culinary Federation (CCF)
700-1281West Georgia St.
Vancouver, BC V6E 3J7
Tel: (604) 681-6087
Fax: (604) 688-5749
Website: www.ccfcc.ca

Canadian Restaurant and Foodservices Association (CRFA) - Atlantic Office
5121 Sackville St., Ste. 201
Halifax, NS B3J 1K1
Tel: (902) 425-0061
Fax: (902) 422-1161
Website: www.crfa.ca

Tourism Industry Association of Canada (TIAC)
803-130 Albert Street
Ottawa, ON
K1P 5G4
Tel: 613-238-3883
Fax: 613-238-3878
Website: www.tiac-aitc.ca/

Provincial Sector Organizations/ Associations

Tourism Industry Association of Nova Scotia (TIANS)
1099 Marginal Road, Suite 201
Halifax, NS
B3H 4P7
Tel: (902) 423-4480
Fax: (902) 422-0184
Website: www.tians.org

Affiliated Associations
(Same address, phone & fax as TIANS)

Campground Owners Association of Nova Scotia (COANS)

Nova Scotia Adventure Tourism Association

Nova Scotia B&B Association

Other Industry Organizations/Associations

Canada Select (Nova Scotia)
1800 Argyle St., Ste. 603
Halifax, NS B3J 2R7
Tel: (902) 424-8929
Fax: (902) 424-0723
Website: www.canadaselect.com

Check In Nova Scotia
2695 Dutch Village Road, Suite 501
Halifax, NS B3L 4V2
Tel: 425-5781
Toll free: 1-800-565-0000
Website: www.checkinnovascotia.com
Nova Scotia Travel Information and Reservations.

Federation of Nova Scotian Heritage
1113 Marginal Rd.
Halifax, NS B3H 4P7
Tel: (902) 423-4677
Toll free: 1-800-355-6873
Fax: 422-0881
Website: www.fnsh.ns.ca

Hotel Association of Nova Scotia (HANS)
P.O. Box 473, Station M
Halifax, NS B3J 2P8
Website: www.novascotiahotels.ca

Nova Scotia Association of Chefs & Cooks
Howe Hall, 6230 Coburg Road
Halifax, NS
Tel: 494-1262

Nova Scotia Restaurant Association
1161 Hollis Street
VIA Rail Station
Halifax, NS B3H 2P6
Tel: 429-5343
Fax: 429-0659

Taste of Nova Scotia
P.O. Box 368
29 Inglis Place, 2nd Floor
Truro, NS B2N 5L5
Tel: 895-3315
Fax 895-1011

Nova Scotia Association of Unique Country Inns
Website: www.uniquecountryinns.com

Regional Tourism Industry Associations

Antigonish/Eastern Shore Tourist Association (AESTA)
RR #1 Musquodoboit Harbour, NS
B0J 2L0
Tel: 889-2362
Web: www.rewardyoursenses.com

Central Nova Tourist Association
P.O. Box 1761, 577 Prince Street
Truro, NS
B2N 5Z5
Tel: 893-8782
Fax: 893-2269
Website: www.centralnovascotia.com

Destination Cape Breton
PO Box 1448
Sydney, NS
B1P 6R7
Tel: 563-4636
Fax: 564-5422
Website: www.cbisland.com

Destination Halifax
1800 Argyle Street, Suite 802
Halifax, NS
B3J 3N8
Tel: 422-9334
Fax: 492-3175
Website: www.destinationhalifax.com

Evangeline Trail Tourist Association (ETTA)
654 West Main St.
Kentville, NS B4N 1L7
Tel: (902) 678-1728
Fax: (902) 679-1396
Toll free: 1-866-260-3882
Website: www.evangelinetrail.com

Pictou County Tourist Association (PCTA)
40 Water St.
P.O. Box 1839
Pictou, NS B0K 1H0
Tel: (902) 485-6151
Fax: (902) 485-4415
Toll free: 1-877-81-OCEAN
Web: www.tourismpictoucounty.com

South Shore Tourist Association (SSTA)
Box1390
Lunenburg, NS
B0J 2C0
Tel: 634-8844
Fax: 634-8056
Website: www.sssta.com

Yarmouth County Tourist Association (YCTA)
Tel: 742-5355
Toll free: 1-866-850-9900
Web: www.aboutyarmouth.com

Regional Development Authorities

Antigonish Regional Development Authority
Farmer's Mutual Insurance Building,
Suite 2-1
188 Main St.
Antigonish, NS B2G 2B9
Tel: 863-3330 Fax: 863-4095
Website: www.antigonishrda.ns.ca

Cape Breton County Economic Development Authority
338 Charlotte Street, 3rd Floor
Sydney, NS B1P 1C8
Tel: (902) 562-2201
Fax: (902) 562-2866
Website: www.cbceda.org

Colchester Regional Development Agency
P.O. Box 181, 966 Prince Street
Truro, NS B2N 5C1
Tel: 893-0140
Fax: 897-1157
Toll free: 1-866-227-6182
Website: www.corda.ca

Cumberland Regional Economic Development Association
35 Church Street, Box 546
Amherst, NS B4H 4A1
Tel: (902) 667-3638
Fax: (902) 667-2270
Website: www.creda.net

Guysborough County Regional Development Authority
P.O. Box 49, 46 Main Street
Guysborough, NS B0H 1N0
Tel: 533-3731
Fax: 533-2064
Toll free: 1-800-355-3731
Website: www.gcrda.ns.ca

Halifax Regional Development Agency
11 Glendale Drive, Unit 9
Lower Sackville, NS B4C 3P2
Tel: 869-4040
Fax: 869-4091 Toll Free 1-800-650-0039
Website: www.hrda.ns.ca

Hants Regional Development Authority
Box 2313
Windsor, NS B0N 2T0
Tel: (902) 798-2284
Enfield Office: (902) 883-3338
http://www.hantscounty.com

Straits Highlands Regional Development Authority
P.O. Box 2200
32 Paint St.
Port Hawkesbury, NS B0E 2V0
Tel: 625-3929
Fax: 625-1559
Website: www.strait-highlands.ns.ca

Kings Community Economic Development Agency
28 Aberdeen Street, Ste. #5
Kentville, NS B4N 2N1
Tel: (902) 678-2298
Fax: (902) 678-2324
Website: www.kingsced.ns.ca

Pictou Regional Development Commission
Business Service Centre
980 East River Road
New Glasgow, NS B2H 3S5
Tel: (902) 752-6159
Toll Free: 1-888-412-0072
Fax: (902) 755-2722
Web: www.wearepictoucounty.com

South West Shore Development Authority
P.O. Box 131
Yarmouth, NS B5A 4B1
Tel: (902) 742-3210
Fax: (902) 742-3107
Website: www.swsda.com

Western Valley Development Authority
P.O. Box 278
86 Atlantic Ave.,
Cornwallis Park, NS B0S 1H0
Tel: (902) 638-8100
Fax: (902) 638-8101
website: www.wvda.com

Travel Trade Organizations

Canada

Association of Canadian Travel Agencies (ACTA)
130 Albert Street, Suite 1705
Ottawa, ON K1P 5G4
Tel: 613-237-3657
Fax: 613-237-7052
Website: www.acta.ca

Canadian Bus Association (CBA)
451 Daly Avenue
Ottawa, ON K1N 6H6
Tel: 613-238-1800
Fax: 613-241-4936
Website: www.buscanada.ca

Ontario Motor Coach Association (OMCA)
4141 Yonge Street, Suite 306
Toronto, ON M2P 2A8
Tel: 416-229-6622
Fax: 416-229-6281
Website: www.omca.com

United States

American Bus Association (ABA)
700 13TH St., NW, Suite 575
Washington, DC
20005-5923
Tel: 202-842-1645
Toll free: 1-800-283-2877 (US and Canada)
Fax: 202-842-0850
Website: www.buses.org

American Society of Travel Agents (ASTA)
1101 King St., Suite 200
Alexandria, VA 22314
Tel: 703-739-2782
Fax: 703-684-8319
Website: www.astanet.com

Group Leaders of America, Inc. (GLAMER)
P.O. Box 129
Salem, OH 44460
Tel: 1-800-628-0993
Fax: 330-337-1118
Website: www.glamer.com

International Association of Convention &
Visitor Bureaus
2025 M Street, NW Suite 500
Washington, DC
20036
Tel: 202-296-7888
Fax: 202-296-7889
Website: www.iacvb.org

CrossSphere (formerly NTA)
546 E. Main Street
Lexington, KY
40508
Tel: 606-226-4444
Toll free: 1-800-682-8886
Fax: 606-226-4414
Website: www.crosssphere.com

Travel Industry Association
1100 New York Avenue, NW, Suite 450
Washington, DC
20005-3934
Tel: 202-408-8422
Fax: 202-408-1255
Website: www.tia.org

Travel and Tourism Research Association
(TTRA)
PO Box 2133
Boise, ID
83701-2133
Tel: 208-853-2320
Fax: 208-853-2369
Website: www.ttra.com

United States Tour Operators Association
(USTOA)
275 Madison Avenue, Suite 2014
New York, NY
10016
Tel: 212-599-6599
Fax: 212-599-6744
Website: www.ustoa.com

APPENDIX VI

emerit Standards and Certification

APPENDIX VI

emerit STANDARDS AND CERTIFICATION

The Nova Scotia Tourism Human Resource Council (http://www.tourismhrc.com) is a national partner of the Canadian Tourism Human Resource Council and has been actively involved in the development of National Occupational Standards for various occupations in the tourism industry, and is also the certifying body for non-apprenticeable trades in Nova Scotia. As well, the NSTHRC is the local partner for emerit, "Canada's best tourism training tools". emerit offers flexible learning options including on-line accessibility and traditional workbooks. This allows for self-directed learning of specific skill based modules and also permits individuals to challenge full certification.

Standards

Standards presently (2005) exist for 49 occupations. These are listed on the following page.

What are Standards?

Standards are statements outlining the attitude, knowledge, and skills required of an individual in order to be considered competent in an occupation. Standards clarify expectations and can be used to design consistent training, education, and professional development programs.

How are Standards Developed?

The Standard development process is based on the philosophy that the tourism industry must determine its own direction. The individuals best suited to determine the content of the Standards are those directly involved in the occupation. The mandate of the Nova Scotia Tourism Human Resource Council is to bring together business, labour, education, and training, and other stakeholders to define the standards and to ensure that they guide education and training.

Standards for a specific occupation become National once seven provinces or territories and one national association validate and accept them.

Who Benefits from Standards?

Eventually, everyone in contact with the tourism industry will benefit from the evaluation of performance in relation to industry Standards. As Standards gain recognition, industry professionals will maintain or increase personal skills, resulting in direct benefits to local and visiting consumers.

National Product List www.emerit.ca

NATIONAL WORKBOOKS

	PRICE	ENG	FRE
Bartender	75.00		
Campground Operator	75.00		
Entry Level Cook	75.00		
Food and Bevarage Manger Set	275.00		
Food and Beverage Server	75.00		
Freshwater Angling Guide	75.00		
Front Desk Agent	75.00		
Guest Services Attendant	75.00		
Heritage Interpreter	75.00		
Housekeeping Room Attendant	75.00		
Hunting Guide	75.00		
Local Tour Guide	75.00		
Reservations Sales Agent	75.00		
Retail First Level Manager	75.00		
Retail Sales Associate	100.00		
Sales Manager	75.00		
Special Events Coordinator	75.00		
Special Events Manager	75.00		
Supervisory Skills (set of 4)	275.00		
Tour Director	75.00		
Tourism Essentials	75.00		
Tourism Visitor Information Counsellor	75.00		
Travel Counsellor	75.00		N/A

TRAINER'S GUIDES FOR WORKBOOKS

	PRICE	ENG	FRE
Bartender/ Food and Beverage Server	150.00		
Food and Beverage Manager	150.00		
Front Desk Agent	150.00		
Guest Services Attendant	150.00		
Heritage Interpreter	150.00		
Housekeeping Room Attendant	150.00		
Local Tour Guide/Tour Director	150.00		
Reservations Sales Agent	150.00		
Sales Manager	150.00		
Tourism Visitor Information Counsellor	150.00		
Tourism Essentials	150.00		

CAREER PLANNING RESOURCES

	PRICE	ENG	FRE
Career Awareness Video	27.50		
Career Expo Manual	45.00		
Career Planning Guide (Updated)	35.00		
The Student's Travel Map: 2002 (Updated)	35.00		
Tourism – A World of Opportunity (CD-Rom)	25.00		

HUMAN RESOURCE BUSINESS TOOLS

	PRICE	ENG	FRE
Aboriginal Tourism - A Business Guide	25.00		
Performance First Series:	155.00		
Great Performances	25.00		
Less Talk, More Communication	25.00		
Making Training Work	25.00		
One-on-One Training	25.00		
Predicting Performance	25.00		
Setting the Stage	25.00		
Winning Ways	25.00		
Business Builders Series:	160.00		
Developing an Operational Plan	20.00		
Developing Your Business Profile	20.00		
Getting Your Business Market Ready	30.00		
Management and Labour Relations	30.00		
Managing Your Business Finances	20.00		
Marketing Essentials for Small Business	20.00		
Sales Forecasting	20.00		
Shaping Your Business Strategy	20.00		
HR Tool Kit	195.00		
Performance Paks (ELC,HRA, FDA, FBS, TVIC)	25.00		

To order please visit www.emerit.ca or contact 1.800.486.9158.

OCCUPATIONAL STANDARDS

	PRICE	ENG	FRE
Bartender	40.00		
Beverage Services Manager	40.00		N/A
Banquet Server	40.00		
Banquet Manager	40.00		
Campground Operator	40.00		
Catering Manager	40.00		
Casino Dealer	40.00		
Casino Slot Attendant	40.00		
Catering Manager	40.00		N/A
Director of Sales and Marketing	40.00		N/A
Door Staff	40.00		
Food & Beverage Manager	40.00		
Food & Beverage Server	40.00		
Foodservice Counter Attendant	40.00		N/A
Freshwater Angling Guide	40.00		
Front Desk Agent	40.00		
Golf Club General Manager	40.00		
Guest Services Attendant	40.00		
Heritage Interpreter	40.00		
Housekeeping Room Attendant	40.00		
Hunting Guide	40.00		
In-room Dining Server	40.00		
Kitchen Helper	40.00		
Line Cook	40.00		N/A
Local Tour Guide	40.00		
Night Auditor	40.00		
Outdoor Adventure Guide	40.00		
Professional Cooking	80.00		
Reservations Sales Agent	40.00		
Retail First Level Manager	40.00		N/A
Retail Sales Associate	40.00		N/A
Sales Manager	40.00		
Ski Area/Resort Occupational Guidelines	85.00		
Small Business Owner/Operator	40.00		
Snowmobile Operations	40.00		
Special Events Coordinator	40.00		
Special Events Manager	40.00		
Supervisory Skills	40.00		
Taxicab Driver	40.00		
Ticket Agent	40.00		
Tour Guide/Director	40.00		
Tour Operator	40.00		
Tourism Small Business Owner/Operator	40.00		N/A
Tourism Trainer	40.00		
Tourism/Visitor Information Counsellor	40.00		
Tourism/Visitor Information Supervisor	40.00		
Travel Counsellor	40.00		
Transferable Skills	40.00		
Wine Service	40.00		

ON-LINE TRAINING

	PRICE	ENG	FRE
Bartender (Bundle)	125.00		
Modules	25.00		
Food and Beverage Server (Bundle)	125.00		
Modules	25.00		
Front Desk Agent (Bundle)	125.00		
Modules	25.00		

For Service Professionals, Standards:

- Identify career paths;
- Identify the skill and knowledge needed
- Enhance the public image of occupations;
- Provide a basis for challenge, self-improvement, and advancement;
- Provide the basis for certification based on competent performance.

For Employers and Owners, Standards:

- Define area where employees must be proficient, which assists in recruiting, training, and development of staff. It is important to understand that Standards are not a training program or a training manual in themselves; they do not specify learning objectives, learning activities or evaluation methods. To serve as a training tool, the Standards need to be translated into a learning experience with detailed objectives, activities, and evaluations.

- They can be used to create job descriptions and conduct performance evaluations, as well as to develop and enhance training programs

- Provide employers with a highly trained workforce, which can increase productivity and decrease costs incurred by staff turnover.

For Educators, Standards:

- Provide the basis for curriculum and program development;
- Identify areas of industry where educational expertise is needed and applicable.

For Students, Standards:

- Promote the tourism/hospitality industry as a viable and fulfilling career choice;
- Identify career options within the industry.

For the General Public, Standards:

- Increase the level of professionalism of employees in the tourism/hospitality industry. This results in a higher level of service to customers and a better image of the industry.

Many Standards are available in a Workbook that is a self-study guide including all the Standards as well as exercises, performance reviews and self-tests. The Workbooks are available through the Nova Scotia Tourism Human Resource Council and can be ordered on-line from their web site.

National Certification

What is National Certification?

National Certification is a three step process. Professionals who achieve National Certification will be recognized across Canada for meeting industry requirements in their selected occupation. The candidate must be employed in the occupation and must have achieved a minimum number of hours work experience (varies depending on the occupation) prior to completing certification.

Candidates may challenge the knowledge component (i.e. the written examination) of the process at any time with no prerequisite. Study materials are recommended to assist in achieving optimal results.

The Certification process is as follows:

Step 1: Written Examination

The examination tests the candidate's familiarity with the knowledge component of the Standards. If unsuccessful, re-testing may be arranged. Oral examinations are available in special circumstances. Some certification exams are available on-line.

Step 2: Performance Review

The Performance Review is derived from the Standards and enables the candidate to practice performance skills on-the-job. The candidate is encouraged to practice the skills outlined in the Standards using the Performance Review as a guide. The review can be completed as it best suits the candidate's situation, but it is recommended that a candidate work together with his or her supervisor or a certified peer to complete it. The supervisor/certified peer can provide feedback for those skills which may need improvement.

When the candidate is ready to have his or her performance skills evaluated, the candidate contacts the Certification Team and requests an Industry Evaluation. In addition, the candidate must have a minimum number of hours experience (varies by occupation) before the Industry Evaluation can be conducted.

Step 3: Industry Evaluation

A trained evaluator observes the candidate on-the-job to ensure the candidate possesses the essential competencies of the occupation as established by the industry.

Certification

The Certification Team reviews the file to ensure that all requirements have been met. The successful candidates receive a certificate, a pin, and the Industry Evaluation comments. Unsuccessful candidates receive the Industry Evaluation comments and are encouraged to reapply.

Guides in the Series

A Guide to Starting & Operating
a Commercial or Community Attraction

A Guide to Starting & Operating
an Adventure Tourism Business

A Guide to Starting & Operating
a Retail Tourism Business

A Guide to Community Tourism Planning

A Guide to Starting & Operating
an Accommodation Business

A Guide to Starting & Operating
a Campground Business

A Guide to Starting & Operating
a Restaurant Business

A Guide to Starting & Operating
a Local Sightseeing Tour Business

A Guide to Starting & Operating
a Receptive Tour Operator Business

A Guide to Starting & Operating
a Local Visitor Information Centre

A Guide to Planning & Hosting
a Community Festival or Event

A Guide to Marketing Your
Nova Scotia Tourism Business

Guides are available by visiting
www.gov.ns.ca/dtc/tourism/tourism_devguides.asp

NOVA SCOTIA
Come to life
novascotialife.com